

TECHNOLOGY DEPARTMENT  
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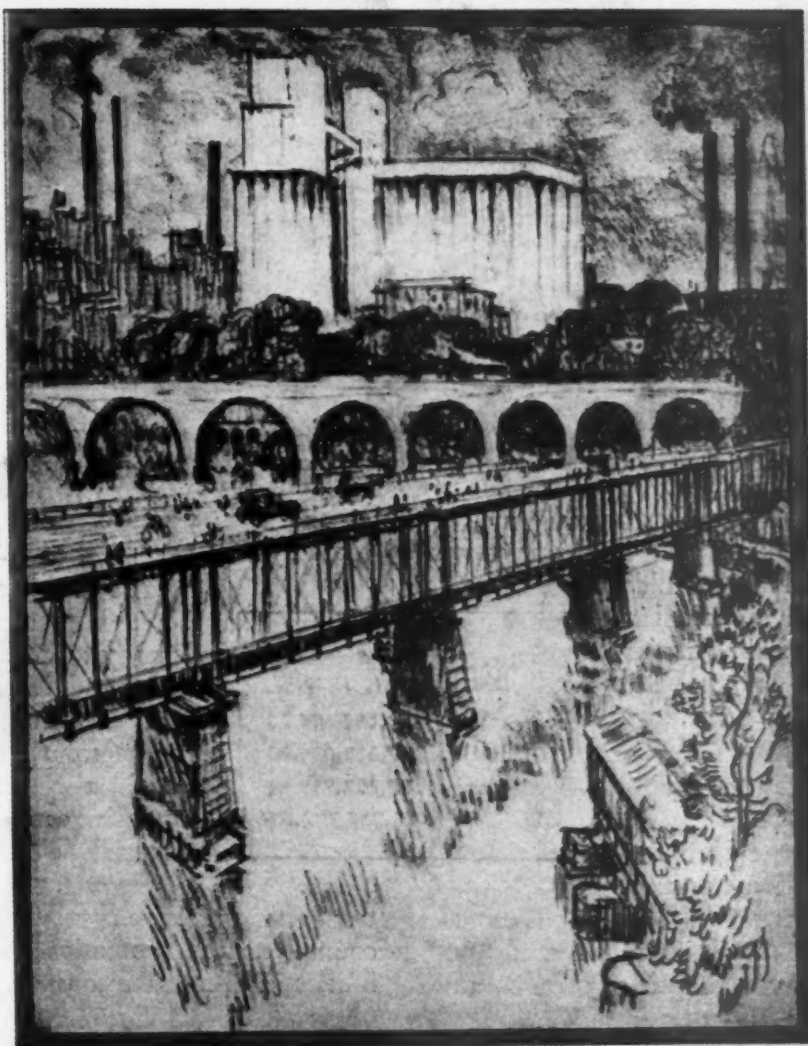
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April, 1929

APR 16 1929

# CREDIT

## MONTHLY



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GRAIN ELEVATORS AT MINNEAPOLIS  
N. A. C. M. CONVENTION CITY, JUNE 24-28  
LITHOGRAPH BY JOSEPH PENNELL

Walter P. Chrysler  
"The Man in  
Management"

Interview by  
C. H. McCall

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Robert P. Lamont  
U. S. Secretary  
of Commerce

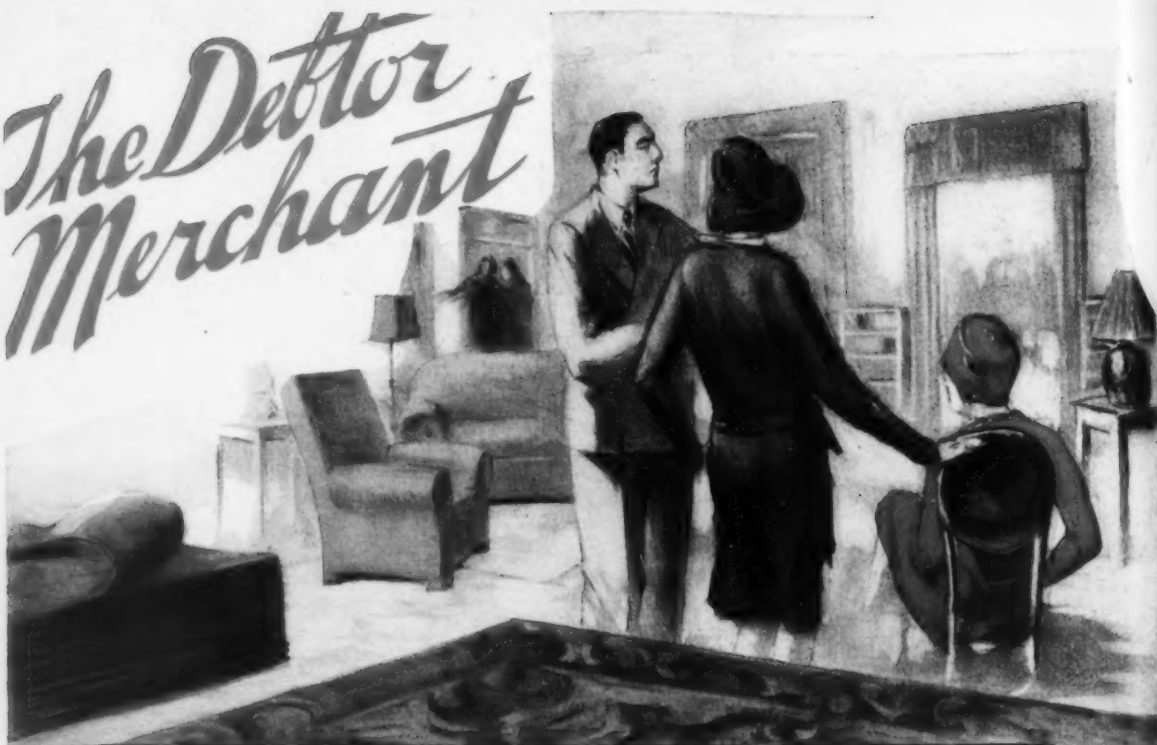
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Page 22

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at the same time threatens the stability of credit in general.

## 30th Annual Statement December 31, 1928.

Assets ..	\$98,190,644.96
Capital ..	7,000,000.00
Surplus ..	37,252,917.34
Liabilities	53,937,727.62

The retailer is beset with problems of efficient merchandising and consumer credit, in the solution of which the credit executive can be of material aid. In this contact with

the dealer it always pays to offer counsel on the protective possibilities inherent in insurance.

  
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## Addresses Wanted

This column is read by some Credit Managers before any other feature of the magazine. Any member of the National Association of Credit Men can have names listed herein. He has only to send the names to the secretary of his local Association of Credit Men or to S. Ardron, Jr., Credit Protection Department, N. A. C. M., One Park Ave., New York. Members are requested to mention the line of business as well as the last known address.

**ADLER, JACOB**, formerly of 1612 Center Avenue, Pittsburgh. Using the trade name of French Millinery.

**ASHER PLUMBING SUPPLY INC.**, formerly located at 55 Osborn Street, Brooklyn.

**BERGER, A.**, formerly 1012 Main Street, Dickson City, Pa.

**BLOOM, IRVING**, trading as Irving Bloom & Co., 7 West 27th St., N. Y.

**BOLDERSTON (MARY L.) & (ALFRED R.)**, Last in restaurant business at Portland, Oregon. Formerly resided in Boise, Idaho, Slocan, B. C. and Vancouver, B. C.

**BORMAN, J. P.**, Williston Drug Co., Williston, North Dakota.

**BRANDT, JOSEPH**, formerly 248 W. 35th St., N. Y.

**BRANSCOM, A. E.**, Pueblo, Colo.

**BRINA, CHARLES**, formerly Bison Packing & Supply Company, 364 Niagara St., Buffalo.

**BRUNI, LOUISE (MRS.)**, formerly 741 Madison Avenue, also 117 East 55th Street, N. Y.

**BULLOCK, JOHN**, formerly of the Stockmen's Dining Room, Stockyards, Denver.

**BURDICK, W. J.**, formerly 1596 West 26th St., Milwaukee.

**BURFORD, E. C.**, Pasadena, Calif.

**CAMERON, W. A.**, formerly operating the Hol-Tite Mfg. Company, 27 South Desplaines St., Chicago, manufacturing metal specialties.

**CHITTINGER, E. C.**, formerly of Graettinger, Iowa.

**CHRISTIAN, E. A.**, formerly of Kansas City or Leavenworth, Kans.

**COHN, SIDNEY**, trading as Cohn Company, Kress Bldg., Houston. Advertising Stock Investment information. Supposed to have returned to New York City. At one time located in Florida.

**CORBETT MUSIC COMPANY**, formerly of Aberdeen, Washington.

**DALIS & MARKOWITZ**, Dalmar Gowns, formerly of 137 W. 86th Street, N. Y.

**DAVIS, HENRY G. G.**, Miami Drapery & Shade Company, 1358 N. E. Second Avenue, Miami.

**DUMETZ, I.**, formerly at 1317 East 53rd Street, Chicago.

**EULER, WALTER**, formerly conducting a business at Columbia, Mo., for automobile repairs and accessories.

**GIBBS, C. W.**, formerly of Hope, N. J.

**GILES, CLARENCE E.**, last known address, 1006 Line Street, Camden.

**GODDARD, HAROLD M.**, formerly of Lynwood or Los Angeles, Calif.

**GREEN, SAM**, formerly 778 East 10th Street, Brooklyn. Engaged in painting and decorating, particularly with reference to steel structures and bridges.

**GROSSMAN, SYDNEY**, formerly proprietor of Service Radio & Battery Company, 2000 E. 177th St., New York.

**HEMM, ARTHUR W.**, formerly of Oswego, Ill.

**HOROWITZ, IRVING JULIUS**, formerly of 39 Kensington Street, New Haven. Roofer, last address 1475 Sterling Place, B'klyn.

**HOWARD, R. F.**, formerly Auto Top & Trimming business, Thomasville, Ga.

**KENNEDY, JAMES L.**, formerly of Hedley & Dallas, Texas.

**LIPTON, RALPH**, former proprietor of the Champion Drug Store, 1108 Atlantic Avenue, Atlantic City.

**MALONEY, TIMOTHY**, 64—5th Avenue, Mass-peth, L. I.

**McENTYRE, J. G.**, salesman, living at 92 Grove Street, N. Y., representing West End Paper Company, Sherman Paper Company and Warren Parchment Co.

**MURDOCK, ROY**, formerly of 500 College St., Springfield, Mo.

**NEWTON, H. G. (DR.)**, Palmyra, Nebr., also 138 Hoffman Avenue, Trenton.

**NOBILE, FRANK**, 64 Washington Avenue, Dumont, N. J.

**O'BRIEN, T.**, formerly located at 1229 South 61st Court, Cicero, Ill.

**OLMSTEAD, W. A.**, formerly of Long Pine, Nebr., and Alamo, Tex.

**POE, H. E.**, formerly residing at 1716 North White Street, New Orleans.

**SCHNEIDERMAN, S.**, formerly conducted a retail jewelry store at 69-37 Grand Avenue, Mass-peth, N. Y. Was reported at 116-44 121st St., South Ozone Park and 1221 Westchester Avenue, Bronx.

# CREDIT

## MONTHLY

(Member, Audit Bureau of Circulations)

One Park Avenue, New York

RODMAN GILDER, Editor

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No. 4

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(The Credit Monthly is indexed in the Industrial Arts Index of the H. W. Wilson Co.)

**SCHWARTZMAN, M.**, prop. Undersellers Department Store, Rockingham, N. C.

**SHANKERMAN & KRAMER**, formerly conducting a dry goods and notion store at 621 East Cass Street, Joliet, Ill.

**SHARPE, LEWIS CLYDE**, operated a general store at El Dorado, and then went to San Angelo, Texas.

**SMITH, F. E., D.D.S.**, formerly of Huntington.

**SMITH, MELVIN B.**, formerly located at Tampa, conducting a drug store, later reported at Phoenix, Arizona.

**SNYDER, W. C.**, formerly of Oxford, Iowa.

**STAFFORD, JOHN**, Melville and Jennings, La. Logging or road contractor. Said to have moved to Texas.

**STERN, SEYMOUR**, (made and installed stage curtains), Indianapolis.

**STONE, W. R.**, auctioneer, formerly located in the Esperson Bldg., Houston. Specialty—Real Estate. Last heard of was located in Kansas City, Mo.

**TAYLOR, R. G.**, supposed to be representing the Footform Shoe Company of Dallas, Texas, and Rochester. Last heard from at Fort Bridger, Wyoming.

**THERRY, MILTON D.**, located at 455-57th Street, Brooklyn.

**TROISI, MICHAEL**, formerly in the tailoring business at 3737 Astoria Avenue, Astoria.

**WESTMAN, R. E.**, formerly located at 4151 A-Maffitt, St. Louis, Missouri, painter and decorator.

**YETTER, FRED**, formerly of 5515 Greenwood Avenue, Chicago.

**YOUNGBERG, J. H. MUSIC COMPANY**, formerly of Joplin, Mo.

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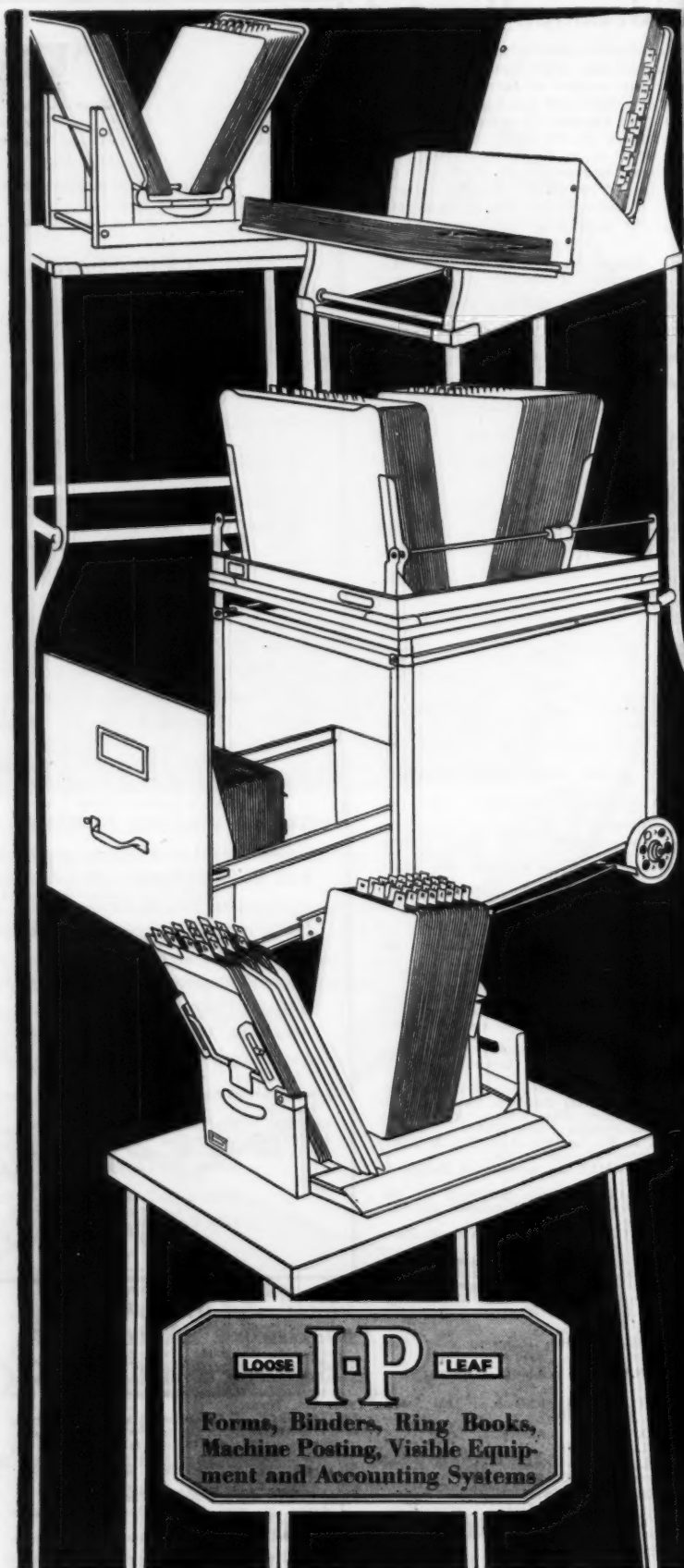
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# The Man in Management

Walter P. Chrysler

An Interview by  
Chester H. McCall with

**H**OW would you like to invest \$100.00 today and have its total value, including dividends and rights, amount to \$1,977.22 in less than five years—a return of almost 2,000 per cent. on your investment?

How would you like to master the basic management and executive principles back of the organization that has made such a phenomenal growth in earning power and apply these principles to your own business or work, gaining for yourself a tremendous advantage over your less alert or discerning competitors?

If you had invested \$100.00 in the Chrysler organization in 1923 your investment in June, 1928, would have been worth \$1,977.22, and at this writing well over \$2,000.00. The same \$100.00 invested in the automotive corporation ranking next to Chrysler in earning power would have netted you in June of last year \$1,034.19. Over the corresponding period in still another Motor Company you would have realized a return of \$1,002.27 on a \$100.00 investment.

Chrysler's earning power in the last five years has been approximately 90 per cent. greater than the known earning power of any other automobile corporation. This record is phenomenal and unparalleled!

A few days ago, a bank president, talking to me about Mr. Chrysler said, "Walter doesn't like to be called a genius—but he is one all the same!"

What are some of the evidences of Chrysler's industrial genius besides the amazing earning power record already cited?

The Chrysler organization working capital has increased from \$9,659,624 in 1922 to approximately \$78,000,000 as of January 1, 1929, an increase of about 750 per cent. in five years. Car production has leaped from 31,429 cars in 1924 to 444,762 cars in 1928, a growth in output of around 1,300 per cent. in four years. In three years Chrysler has risen from twenty-seventh in size to third in the entire automobile industry and is the second largest publicly owned automobile corporation in the world. And as a climax to these achievements, Walter Chrysler is building, as a \$15,000,000 personal investment, the world's tallest skyscraper, towering 68 stories, its 809 feet exceeding the present tallest building in the world by 17.

The Chrysler organization exemplifying as it does such unexampled results in manufacturing, engineering, finance and distribution is a revelation of the basic executive and management principles that will increase the operating efficiency and earning power of any business, large or small, if these principles are properly and consistently applied.

As a result of my interview with Mr. Chrysler and a careful analysis of the Chrysler organization many facts are published here for the first time—2,000 per cent. increase-in-earning-power facts that are of dollar and cents value to every business man who will make use of them.

I first asked Mr. Chrysler to tell me, in a few words, what he considered the essence of his remarkable business success.

"I can do it in two words," he told me, "*Fine organization.*"

When I also asked several officials of Chrysler Motors to tell me what they thought was the biggest reason for their company's success, their answer was, "*Creative leadership.*"

Management! Management! Management! With ever increasing emphasis this word is ringing through the inner sanctums of many large and small businesses today. Executive management has been looked upon as something elusive, intangible, as an indefinable business "it", that a man has or doesn't have. But there are certain basic



Standardized quality is the base upon which the Chrysler organization pyramid rests.



principles of management that can be understood and used by any live executive.

Walter Chrysler thinks that he is just an ordinary man with normal capabilities who has worked a little harder than some men do in discovering for himself the basic principles of management and then putting them to work with promptness and consistency.

His career has been built like a pyramid, but it is a pyramid that has not yet reached its peak.

The base of this life pyramid is work, hard work. His father was a pioneer locomotive engineer who was accorded the honor of sitting at the throttle of the first coal burning locomotive of the Union Pacific.

When young Chrysler left school at seventeen, having spent his summers as an errand boy for a grocery store in Ellis, Kansas, it was only natural that he should follow in the general direction taken by his father. He became a machinist's apprentice in the Union Pacific shops at Ellis, Kansas, receiving the handsome wage of five cents an hour—and what he could learn.

His unusual aptitude for mechanical work enabled him to develop into a full-fledged journeyman when he was just out of his teens. His travels took him to Wellington, Kansas, where he worked for the Atchison, Topeka and Santa Fe; and thence to Salk Lake City as a roundhouse machinist on the Rio Grande and Western. His next promotions were to general foreman of the Trinidad division of the Colorado & Southern shops and then to master mechanic at Trinidad. During all this time Chrysler was doing what other men were not doing—he was learning to build locomotives, to create while others just passed muster as repair men. In 1905 Chrysler visited the Chi-

cago automobile show, which was in about the same category as a circus. Like the other visitors he was curious—but curious about the scope and possibilities of this infant industry—not about the mere novelty of the horseless carriage.

Through hard work and self denial he had accumulated a savings bank account of \$700. When a beautiful white car, upholstered in red leather, captivated him he did not hesitate to wire for the \$700 and borrow the balance of the \$4,300 purchase price of the automobile. The car was shipped to his home because the roads, at that time were impassable for automobile driving.

Into the barn Chrysler put the millionaire's car and began his experiments. Twice he took the automobile apart and put it together. He examined every bolt and washer and screw. He figured out where he could make improvements in design and construction. He mastered every mechanical detail. That was the beginning of the Chrysler chrysalis that has since grown and expanded into an industrial phenomenon.

At thirty-three, Walter Chrysler reached one of the great turning points of his life. He had been appointed Superintendent of Motive Power of the Chicago & Great Western, the youngest man ever to hold such a position. Ten thousand men were under him.

Mechanical men of his type, according to railway tradition, did not become executives. He had reached the top rung of that ladder. He needed another ladder—a ladder, he believed

that should be set upon the foundation of self-owned motor transportation which he saw clearly as the greatest transportation development of the future.

Chrysler felt that he had to get into executive work and test his convictions before he could expect to enter the automobile field. Accordingly, he went to the American Locomotive Company as Works Manager at slightly more than half the salary he was receiving because he saw an opportunity to get into executive work.

He speeded up production, lowered costs, increased sales, stopped losses. In two years he was made general manager. Having thus reached his first executive position, he established a name for himself as an expert manager and profit maker.

All the while his thoughts and imagination were in the automobile industry. As new cars were manufactured he bought them, took them apart and reassembled them. The Chrysler chrysalis was bulging.

When General Motors was founded, Charles W. Nash, who became chief executive, was succeeded by Chrysler in charge of Buick operations, the largest unit in the new consolidated-



Tool chest  
used by  
journeyman  
mechanic  
Chrysler





APRIL, 1929

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tion. When Chrysler began as works manager, the daily output was about 45 cars. In a few years it was 550 cars, the Buick unit pouring millions of dollars in profits into the coffers of General Motors. He was later made president of Buick and first vice-president in charge of all production of General Motors.

When Chrysler left General Motors, his organizing, productive and financial abilities were turned to the rehabilitation of several automobile companies. Willys-Overland, one of the largest companies in the industry, was facing at that time

*The Chrysler Tower in process of construction at 42nd Street and Lexington Avenue, New York.*

## Training the Executive

**W.** P. CHRYSLER, who knows what it is to climb the ladder of success, says:

"In this organization there are several young men being intensely trained for each executive position . . . This stimulates effort, generates enthusiasm, defines distinct objectives for each man and compels each executive to measure up to the standards and requirements of his job. If you can inject an *esprit de corps* of that kind in any organization and, if the other fundamentals of the business are generally sound, an outstanding success is inevitable."



serious difficulty and probable collapse. After serving as executive vice-president and general manager, Chrysler left Willys-Overland in 1920 on a sound basis. It has continued to forge steadily ahead since that time to the present strongest financial position in its history.

Suppose a reorganization committee persuaded you to take over the management of a company which owed \$20,000,000, had 26,000 unsold cars scattered about the country, with \$10,000,000 in notes owing on them, that had a demoralized dealer organization—what would you do?

The Maxwell Motor Corporation under Chrysler's leadership sold the 26,000 cars and expanded production.

In the rebuilding of this company, Chrysler found the opportunity to realize his own dreams. In 1924 the Chrysler Corporation succeeded the Maxwell Motor Corporation. Branches began to reach out in all directions. The Chrysler conception of 1905 passed from the chrysalis stage.

The first year sales records on Chrysler cars surpassed anything ever before achieved in automobile history: over 32,000 Chryslers were built and sold at a value of over fifty millions. The success of the first Chrysler car with its speed, beauty, acceleration and unusual performance was immediate.

In May, 1928, Chrysler took over Dodge, which had previously changed hands at a \$146,000,000 consideration. The deal closed at five o'clock one evening—the next morning the Chrysler organization took hold.

These facts just recorded make up the Chrysler pyramid, level after level of experience and achievement built upon a broad foundation and narrowing in concentrated series as it slopes toward the apex.

To understand the structure and significance of this life-pyramid is to understand better the answer Chrysler gave to the questions I asked.

Sixteen stories above Madison Avenue, New York City, is the private office of Walter Chrysler, overlooking the street with its steady stream of cars flowing on each side of the avenue.

Mr. Chrysler's office is impressionistic. The moment you step through the door the arrangement and furnishings of the office convey with significance one of the dominant charac-

teristics of their owner. The few pictures on the walls are of Chrysler Corporation officials, of bank executives who are personal friends of "Walter",—and, of course, there is a portrait of Mrs. Chrysler. There is no lounge or davenport in the office, no pretense at sumptuousness, just enough chairs to fill business needs, and even though the carpet is rich and, one may surmise, expensive, it does not suggest the kind of ease that merges into luxury—only comfort for doing what has to be done.

I could see that this modest, orderly, unpretentious office was created to fill an economic need—a place to work. The arrangement and furnishings of the room seemed to say in a very polite and business-like manner, "This office is a place where work is done—get busy."

I did, asking Mr. Chrysler this question:

"What would you give as the chief factors contributing to the success of the Chrysler Corporation in winning and retaining public confidence not only in motor cars but in ability to earn such substantial returns for its stockholders?"

### Vision

"The Chrysler Corporation is dedicated to the principle that in the automobile industry there is no such word as tradition and that a successful organization must have vision to correctly foresee the public requirements and to be able to meet the public demand. We do not believe in precedent as an organization principle. If thorough consideration convinces us that prevalent and accepted standards are wrong we disregard precedent and throw them overboard. We are always looking for something new because we know that is what the public is looking for. Most businesses make the mistake of following the well defined business roads. The guiding incentive of any organization should be, instead, to blaze new trails for business to follow.

"There are three major factors contributing to the business success of the Chrysler Corporation—three factors that I believe must be inherent in any organization if it is to be permanently successful. First, as applies to our company, technical as well as practical engineering and manufacturing experience; second, the management requirements for organizing an industrial enterprise along

sound lines of financing, production and distribution; and third, the development of a balanced group of young and able executives to carry on an enterprise to increasing success."

"Will you give me in more detail the technical and management requirements you have mentioned?" I requested.

"Engineering, design, finance, production and sales are the tools with which management works. Engineering is the foundation upon which all sound manufacturing is developed. No manufacturing business can expect to be successful unless it has satisfactorily answered this question, 'From an engineering analysis is the product and its plan of manufacture sound?' There is often a tendency to slight or overlook the obvious, and it is safe to say that hundreds of manufacturing enterprises are started without the advice and analysis of competent engineering authority. I cannot say too emphatically that an engineering analysis should precede every other phase of organization, finance, production and distribution.

"This same principle is applicable in non-manufacturing enterprises, because it means an analysis of the basic product of a business, whether it is a service or a tangible commodity, to find out if the product can be handled by the company in such a manner as to satisfy the demand and at the same time allow the necessary margin of profit."

"Will you tell me about your plan of 'developing a group of young and able executives'?"

"Efficiency is realized only when each of the five functions I have just outlined is scientifically managed. It is the duty of the executive officer heading each of these functional divisions to use all the management tools to establish corporate balance."

"One of the best ways of maintaining corporate balance is through the training of the younger men. In this organization there are several young men being intensely trained for each executive position—not merely one man for each position, but several. I believe there are more young men coming along to take the place of our present executives than there are in any other company in the industry. In many organizations today one finds the deplorable 'I'm afraid of my job' attitude. Many men are afraid to have someone ready to step into their

(Continued on page 40)

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Credit Manager, Postum Company, Inc., New York

When a house is new and its financial statement is not quite as strong as we would desire, we depend upon the intangible qualities of character, in arriving at our final determination. Location may be another factor. It would be obviously unwise to extend as great a degree of credit to a house situated in a section which sales rec-



ords revealed as only moderately productive as to one located where turnover was generally more rapid. "Moral responsibility" has due weight. If our District Sales Manager assures us that a man is honest, industrious, reliable, well thought of in his community, we balance this fact against an apparently modest financial structure.

We place great dependence upon our District Offices which co-operate with us in every way and, if necessary, even go to the extent of making collections. This system would not perhaps be feasible for all business houses, but we have found our credit losses and attorney's fees for collections almost negligible items.

It is an established Postum policy to ask close observance of our sales terms—2 per cent. 10 days, 30 net. This is of material assistance to our Credit Department. Although we are wholly opposed to the practice of "discount dodging" and do not sanc-

tion it, we try to avoid an arbitrary or antagonistic stand, since we believe that a firm stand can just as readily be made in a courteous way. And it has been our experience that most matters can be adjusted amicably when each party thoroughly understands all the facts.

When a check is received in payment of an invoice, the cashier checks up to see if discount deduction is permissible. If payment is found to be late, the cashier notes the record of past experiences with this account and brings it to the Credit Manager's attention. If the account has a good past record and the check is not very late, discount is allowed. If it is found that the record, in this respect, is somewhat poor, a letter is written calling the matter to the customer's attention. We are usually willing to accept a reasonable explanation or excuse. Otherwise we keep on the job until we get action, turning the matter over to our District Office, if

necessary. Our attitude is always courteous and we make every allowance for exceptions and unusual circumstances, but we try to convey to our customers the idea that this system was established for their benefit and, in fairness to our other customers, who do comply, we must insist on all customers being treated alike.

### Safeguards Goodwill

Good will is a tremendous force in modern business and billions of dollars are spent to acquire this intangible asset. All sales effort is built on the policy of maintaining and strengthening good will for the house. It would be a short sighted policy indeed, which would overthrow or damage this carefully reared structure through antagonistic collection methods. While we recognize the fact that our money is due us and we are not requesting a favor, but making a just demand on a debtor, we have found that courtesy pays in this part of our work as well as in others.

When invoices are posted, a record is made on proof sheets. These latter are checked every day and each one that is 30 days old is checked against our ledgers. In this way a statement is sent out on every invoice promptly at the expiration of 30 days. These statements are made out in duplicate and the copy is filed in a follow-up file to come out at a reasonable date, that allows sufficient time for a reply.

It may be explained here that we have divided the country into four zones or territories. A separate credit manager is in charge of each territory, with full authority regarding every matter within his zone, even to the passing on credit. This is an aid to the smooth running of the Credit Department at the Company's headquarters and eliminates a multiplicity of details.

Before being sent out, statements go to the Credit Manager of the territory in which the account is located. If his records indicate that a concern is habitually slow, our first collection letter accompanies the statement, thus saving a week or 10 days in time. Within 60 days of date of invoice we send out three letters. Should these not prove effective, further action is taken depending on the conditions surrounding the case. Generally four letters are used, although individual letters may be



Advice to the customers on all phases of merchandising is contained in this 32-page monthly magazine, (one of several Postum publications). Actual size 5½ x 8 inches.





*Example of Postum Business Service for the retailer. The display is put in by Postum; but the goods are purchased by the retailer from his wholesaler.*

written if circumstances warrant it. We have, in fact, 54 separate form letters covering every phase of credit work. We have found these letters adequate for nearly every occasion and accomplish a great saving in time. All these letters are, of course, individually typed. In addition, constant revision of the forms insures the fact that no customer will receive the same letter twice.

### **A Useful Collection Letter**

The following is our second collection letter, one of our most effective:

Gentlemen:

Since writing you on (date) we have not received check covering your overdue account. The delay in payment is possibly due simply to an oversight, but as a matter of this kind is important both to the buyer and seller, we are bringing it to your attention again.

Every merchant values his credit standing, which depends to a great extent upon the manner in which he pays his bills. When an account is past due it sometimes means a restriction of credit, with a resultant loss in business; but we are confident that you will do your part by sending check at once. It is our aim to keep you well supplied with our products, but we need your co-operation by keeping your account in good condition. May we have check by return mail for the following charges

(List Charges)

Yours very truly,

We get results from such simple letters, together with the assistance of our District Sales offices. A current analysis of accounts receivable well in excess of a million and a half dollars, shows only 4.62 per cent. past

due, 90 per cent. of which are within 60 days. Our credit losses are likewise low, being less than 1/40 of 1 per cent. on our annual gross business of over \$100,000,000—probably the largest business of its kind in the world.

Like many other firms, we have found that there is often some reason for slowness in payment of invoices which can be corrected. Our District Managers frequently give counsel and advice to debtors to enable them to meet all their obligations more promptly.

### **Help for Retailers**

Our Sales Department, through its extensive program of helping dealers merchandise our own and other products, assists us indirectly. We help, without charge, the retail outlets which buy from the wholesalers who are our customers. In this way we assist the wholesale houses to keep their accounts receivable in healthy condition.

Merchandising co-operation is carried out by our salesmen. It may take many forms, depending on the locality, the season of the year, and other factors. Window displays and trims are one form of the work. Special demonstrations held in retail shops are used to stimulate the sale of a wide variety of products. Our salesmen go right into the shops at these times and work for the retailers. All these efforts combine to help merchants convert the stock on their

shelves into cash, thus assisting them in strengthening and building up their credit.

Another form of co-operation we extend which has, I believe, a definite credit value, is inducing retailers to advertise. Not only do we try to convert them to the general idea of advertising but our salesmen often prepare advertising matter for these merchants and will even supervise the job until it is completed.

This advertising service is rendered without charge and is important from a credit angle.

From the standpoint of a system, it will be seen that we have an extremely simple credit department. With our huge volume of routine work we necessarily make use of many mechanical devices. Book-keeping machines, adding machines, calculators and virtually every modern device are used to execute our work speedily and accurately.

The quick accessibility of records is important in credit work and we have evolved a simple system whereby each Credit Manager keeps all data in his own correspondence file until he is finished with it, when it goes to the General File. All filing is done in a way that makes instant reference possible, and all current matters automatically come out every day.

Perhaps our system would fit few other business organizations. For us, it has passed the acid test of practicality.

# From Darkness Into Light

## The Purpose of Business Education

By J. H. Puelicher

President, Marshall & Ilsley Bank, Milwaukee.

**H**AVE you ever heard of Melzi and Dandolo? Every day, every hour, in every organization and every business the search goes on for the Melzis and the Dandolos.

In Italy, Napoleon was pursuing his life-long relentless search for men. "Good God!" he cried, "how rare men are! There are eighteen millions in Italy, and I have with difficulty found two—Melzi and Dandolo."

Two men out of eighteen million!

Today the ratio of Melzis and Dandolos is not quite so startlingly low. But it is still true that the greatest single demand in the world is the demand for carat and calibre men.

Education is the main source of the supply to this demand. It is not, however, education in itself that matters so much—it is the principles back of education. A man can succeed without getting a school or a college education, but not without the use of the fundamental principles back of that training.

What is education? From the time of Plato and his formulation of an educational trilogy that he believed would enable man to realize an ideal republic this question has been asked.

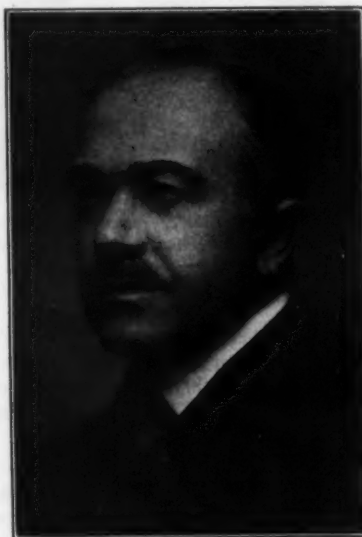
### What is Education?

The business man does not ask, "What is education?" He affirms what education *must be*, what principles it must inculcate if it is to meet the requirements and demands of business.

Education from the strictly business point of view must be a commodity or it isn't education. It must have exchange value, it must be an element of economic wealth, it must be looked upon as a commodity governed by the same economic laws that apply to credit, currency and the supply of and demand for corn or potatoes.

You may say that this necessitates the translation of culture into money values. It does. But it is this very

translation that gives business its richest ethics, management its richest vision. In nearly every case



where you find a translation of culture into money values you will find ultimately a re-translation of money values back into culture.

### To Make Life Better

This cycle of culture—the translation of culture into money values and of money values back into culture—is the ultimate ideal of business, for business is successful only insofar as it makes life better.

A man standing at the summit of a mountain sees a broad vista. He sees other ranges in the distance and, along the horizon, he sees the proximate mountains, he distinguishes landmarks—a canyon here is separated by a butte from a canyon there—the two forks of a river flow for miles in parallel ravines.

When he goes down from the mountain top and follows a trail along the canyon, or crosses one of the river forks, he knows exactly where he is. He sees every landmark in relation to other landmarks. He follows with greater ease and

certainly the specific trail he must take. He reaches his destination in the shortest time and with less hardship because he has had a general, panoramic picture from the mountain top, a picture that gave his mind as he followed the trails the *essentials of relationship*.

In considering credit education let us first look at the general educational picture from a mountain top where we can get a broad perspective of the fundamental principles underlying all business education and apply them both specifically and generally to the credit field.

The actual meaning of the word is, to me, most expressive. Education is derived from Latin *e*, out, and *ducere*, to lead. Education in its truest sense is a *leading out* process—a leading out from old ways into new. It is the dynamic force that shatters the dark walls of ignorance and opens for us a trail leading out into the light of essential relationship and principles.

A great many tend to look upon education, and particularly the more practical business education, as a finished product when it should be considered only as a kit of tools, which one has been trained to use, for the production and fashioning of a finished product. It is the process of "training to use" that is ultra-valuable in education.

### Learning Words Thoroughly

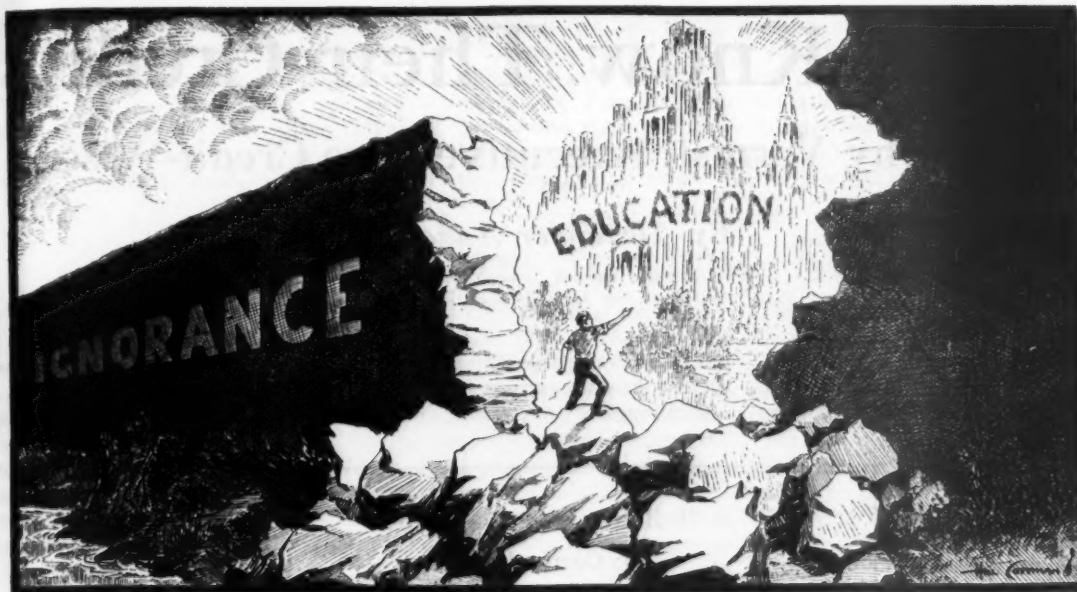
One of my early educational experiences will illustrate my meaning:

At the suggestion of my employer I set out to learn a word a day, by getting the word from a dictionary and writing its definition, derivatives, use, synonyms, and antonyms, if any, on a three-by-five card. I would memorize the word on my way to work or in other spare moments. At the end of the week I would review the words for that week and then destroy the cards.

The first month I failed to learn a word every day. The second month

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Courtesy, N. Y. Journal.

I failed again, but the third I came through without missing a single day. Then my employer suggested that I learn two a day. The task, after the successful month of one word a day was much easier, and I was able to get two words a day for that month.

The next assignment was three words a day. When this task was completed my employer said, "Even if you do not continue this plan you have at least acquired one of the most valuable habits you can ever form."

### Firelight Reading

He was right. It was not so much the words I learned that counted—it was the learning of them, the development of a habit to learn something new each day. It was not so much what Lincoln got from his firelight reading—it was the way in which he got it that counted. That seems to me one of the greatest values of an education, that tempering process which comes not so much from what a man gets but from the way he gets it.

And therein is one of the most valuable characteristics of adult and business education. The student, who works at his business all day, and then spends three or four nights a week in classroom work or night study is getting his education in the way that counts. The classes of the American Institute of Banking and the National Institute of Credit of the National Association of Credit Men are conducted almost entirely by night programs.

What I have to say about credit education is based upon my long experience in the American Institute of Banking, upon my associations with other adult and business education programs, and with my many years of contact with the credit fraternity through the National Association of Credit Men.

The advance of banking in the last fifteen years has been in about the same ratio as the advances in banking education, through our university schools of banking and finance, and particularly through the American Institute of Banking.

Students attending A. I. B. classes at night get banking fundamentals, economic laws, credit practices, and principles of bank organization and examination in their classroom courses, and the next day have the opportunity to observe these principles actually at work in the banking system. They can use, in their own particular jobs, facts they absorbed the night before.

Education of this kind loses much of its apparent abstraction. It becomes something concrete that helps the student to better himself and his job. The theory and training of classroom work is thus interwoven firmly with daily experience, forming the kind of fabric that makes the most successful banking executives.

The classes of the National Institute of Credit are in the same category. The student takes the credit and collection procedures and principles from the classroom, or the cor-

respondence course, into the Credit Department the next day and observes them as they function in the credit machinery of his company and of business in general.

Upon the credit executive falls one of the greatest business responsibilities, that of regulating the volume of credit in his company and thus contributing to the sound expansion of business. All business is built upon a credit foundation, and the credit manager who fulfills his economic duty must consider not alone the corner stones, which might consist in the appraisal of commercial credits, but the entire foundation of the shafts that are sunk to credit bed rock.

### The Needs of Business

Business needs credit Melzis and Dandolos—and the credit profession must turn to education if it is to supply the demand.

Socrates said, "The probability is that the directions given by education will determine the course of all that follows."

Assuming this to be true, the important question is: What directions should credit education give?

"Know something about everything and everything about something"—there is nothing that indicates a better direction to follow than that famous saying.

*The credit executive should know*  
(Continued on page 30)



# They Know Their Credits

## Murphy Varnish Executives Are Credit-Wise

By Alexander Anderson

Murphy Varnish Company, Newark  
Past President, North Jersey Association of Credit Men

FOR many years the Credit Department seems to have been considered part of, or coming under the control of the Treasurer's office. Whether this is because the Credit Department has been engaged in the collection of accounts and actually bringing in revenue (sometimes), or because the Credit Manager has considered it wise to stay close to the money man, I do not pretend to know, but in numerous instances we find the Credit Manager becoming Treasurer of his company.

Modern tendencies of business, and the keen competition of the day have radically changed this old rule of succession. The Credit Manager has been surely drawn into the sales operations of his company. It has become essential that he have a knowledge and understanding of merchandising from a sales point of view, that he maintain a personal contact with the customers and prospects of his house, and that he be an actual party to each sale of merchandise negotiated by the salesman.

I believe the *Credit Department* is part of the *Sales Department*, as much interested in increasing sales to good accounts as in limiting sales to those less worthy of credit.

Furthermore, the Credit Manager and the salesman are equally interested in keeping at a minimum the credit losses of the firm, the former to the end that credit shall have been wisely extended, good business result and profits realized, and the latter, that commissions paid shall remain earned, not forfeited, and that business created shall continue. Credit and sales have a further common in-

terest and responsibility in guarding against the undue expansion of business through the inadvisable or un-

one-sided and meagre idea of merely collecting a present account. The Credit Manager or credit salesman

should constantly endeavor to increase in profitable business.

There is, furthermore, an obligation upon the part of the Credit Manager to educate and train his company's salesmen in the significance of facts bearing upon the credit standing of those they would sell, and how those facts may be obtained, to the end that selling may in all respects be intelligent and orders

passed, not cancelled, by the Credit Department.

### The Customer's Viewpoint

How may we as credit men, get the customer's point of view—how may we look squarely and accurately upon a transaction without getting an impression formed by personal contact. In this way only can we put ourselves in position to make the most of our opportunities and those of our house.

I have participated in many round-table discussions of accounts, and exchanged credit experience and information with others. I have sometimes listened with a mixed feeling of astonishment, amusement and pity to the recital, by one or another of our group, of his trials, tribulations and resourcefulness in repeated efforts to collect a long overdue account, from a customer who has been sold for several years by others represented at the discussion, and almost without exception otherwise reported as dis-counting or paying promptly.

Something wrong here with the seller,—not the buyer. A complete sale has not been made. That Credit

### "I Being One of Them"

By Charles J. Rob

President, Murphy Varnish Co., Newark

"AS to the relationship between credits and sales development, the fact that I try to impress upon our credit organization is that the Credit Manager is one of the important factors in developing permanent trade relations between the customer and the manufacturer or the supplier, in that the opportunity constantly arises for building better business men through our credit relationship. Consequently, most of our credit men develop into sales executives, I being one of them."

From a letter to the Editor of the Credit Monthly.

telligent extension of credit or negotiation of sales.

Many times have I heard a Credit Manager sitting at his desk say, "That's a good account, and I wish they owed us more!" Perhaps his personal contact and exercise of sales ability would accomplish this desire.

### No Swivel-Chair Credit Executives

Business today has no place for a swivel-chair credit executive. He must get out, become acquainted in a personal way with the trade, and know where and how he may best be of service to his customers and prospects, and obtain a first hand knowledge of their credit standing from a moral as well as from a financial point of view. Many are the accounts lost from over extension of credit, because the man whose responsibility it is has not acquired all obtainable facts by personal contact. Furthermore a greater volume of business is to be had from those able to carry more credit obligations.

This contact I think should proceed from an optimistic sales and credit angle and not be limited to a

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Manager has not sold himself to his account—he has not made an effective personal advance, and perhaps none at all.

The possibilities of a Credit Manager's job are limited only by the way he tackles it. This is amply proved

by the fact that in one concern in Newark the Chairman of the Board, three Presidents, four Domestic Sales Managers, one Foreign Sales Manager, and several salesmen were formerly dispensing the credits and collecting the company's accounts.

Too much stress cannot be put upon the necessity of the credit executive fully familiarizing himself with the sales angle of his business and thereby enabling him to sell intelligently the *credit angle* to its sales representatives.

## Mortality Rate of Drug Stores

THERE is a sharp contrast between the mortality rates of retail grocery and retail drug stores. This is the conclusion arrived at in an important study made by the University of Buffalo Bureau of Business and Social Research and published in its March bulletin. In 1918, there were 164 independent retail drug stores in operation in Buffalo. In 1927, 82 of these stores, 50 per cent. of the original number were still in business. In the grocery trade, of 1,459 stores listed in the city directory in 1918, only 242, or 16.5 per cent. were still in business in 1927. Of every 100 drug stores which engaged in business during this period, 25 had a life-span of only one year; of every 100 grocery stores, 60 lasted but one year.

Regarding the increase in the total number of drug stores doing business in Buffalo, there has been an increase in the number during every year of the period studied. In 1918, there were 164 stores operating, in 1927, 260 stores, a net increase of 58.6 per cent. During this same period the total number of grocery stores increased only 19 per cent. The greatest net increase in drug stores came in the years 1922 and 1923 when the entrance of 46 stores was recorded. The chart printed on this page shows three curves which represent: (a) the population curve of the city of Buffalo; (b) the rate of increase in the number of drug stores from year to year, (c) the rate of increase in the number of grocery stores from year to year. A study of these three curves shows that the numbers

of both grocery and drug stores have increased more rapidly than the population, and the number of drug stores has increased more rapidly than the number of grocery stores.

The number of entrances into the drug store business exceeds the number of exits from this business during every year of the period studied. In the grocery study, there was a close correlation noted between the number of firms entering business in any one year and the number of firms going out the following year. There has been no such correlation, noted in the drug trade, in which there has been a consistent upward tendency in the number of exits throughout the period. In each of the last two years, the number of exits almost equaled the number of entrances. There has been a consistent downward tendency in the number of entrances since 1922. If these trends continue, the number of retail drug stores in Buffalo will obviously tend to decline. The survey of the grocery trade brought out these same tendencies in that line.

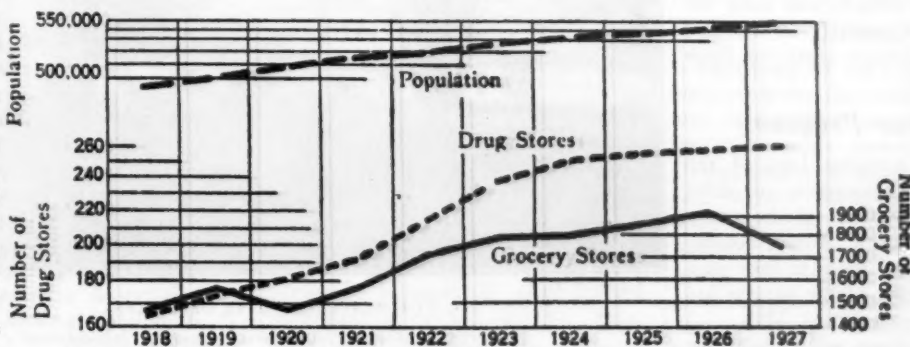
### Relative Stability of Drug Trade

The retail drug store has a longer span of life than the retail grocery store. The number of drug stores which remained in business during the entire period was greater than the number that quit business after but

one year. In the grocery business conditions are reversed: the number of stores which made their exits after only one year was twelve times as great as the number that remained in business during the whole period. The University of Buffalo Bureau has drawn up a chart of "life expectancy" for retail drug and grocery stores similar to those drawn up by life insurance companies. According to this table a groceryman entering business in Buffalo has about forty chances out of a hundred of staying in business long enough to be listed a second year, and about seven chances in a hundred of staying in business nine years. On the other hand, a pharmacist has 75 chances out of a hundred of being listed a second time in the annual city directory, and 29 chances of being listed for nine years.

Several reasons are suggested for the relatively longer life span and greater life expectancy of the retail drug store, as compared to the retail grocery store. It takes a greater capital to open a drug store than it does to start a grocery business; almost anybody can open a grocery store, whereas every drug store must have a licensed pharmacist to fill prescriptions. The trade of the drug store is built up on the basis of confidence, and is therefore usually more stable and less changeable than that of the grocery store. Finally, the chain

stores in Buffalo have not made such inroads upon the business of the independent retail drug stores as they have upon the business of the independent retail grocery stores.



Number of independent drug stores in Buffalo compared with the number of independent grocery stores and with population (1918-1927).

# Minneapolis Preparing

## N. A. C. M. 34th Annual Convention in June



FRANK D. ROCK

*of Armour & Co., Denver, President of the N. A. C. M., who will preside over the 34th Annual Convention of the Association.*

**T**HE program for the Convention of the National Association of Credit Men, June 24-28, in Minneapolis, is taking shape in such a way as to assure the delegates and their families of a gathering that will long be remembered. As is usual with N. A. C. M. convention programs, there will be a preponderance of the practical, but a generous amount of entertainment will also be furnished and a rare opportunity will be provided to see at first hand this great section.

The members of the Minneapolis Association of Credit Men have already raised a considerable fund for entertaining the credit fraternity, and have made elaborate plans to show their hospitality.

### Tentative Program

On Monday morning, June 24, the reception and registration of delegates from all sections of the country will take place. Ample accommodation has been made to take care of the reservations of the various local Associations of Credit Men.

Monday afternoon, will be held the formal opening session of the Convention with greetings from promi-

nent Association, State and municipal officials. This opening session as well as all the general sessions during the Convention will be held at the Garrick Theatre, opposite the Hotel Radisson, the Convention headquarters hotel.

The Tuesday morning session, June 25, will be devoted to credit protection with important speakers on the program. In the afternoon, the entire convention will break up into the various trade groups, which have become so important a part of the N. A. C. M. Convention. The Bankers' group will be in charge of the Robert Morris Associates, the organization of credit managers of banks who are members of the N. A. C. M. (The opening business session of the Associates is scheduled for Monday morning, June 24.)

Business sessions will be held on Wednesday morning, June 26, and on Thursday morning and afternoon, June 27. At the Friday morning business session, the election of of-

ficers for the ensuing year will take place, and President Frank D. Rock will turn over the gavel to his successor.

### Entertainment

The President's Reception and Banquet will be held Monday night in the Municipal Auditorium, one of the largest and finest in the United States with a capacity of 10,000. There will be a specialty entertainment, including two orchestras.

On Tuesday evening there will be an entertainment and dancing; on Wednesday afternoon a trip to Fort Snelling and an automobile ride through the celebrated scenic route of the Lake Region, immortalized by Longfellow in his poem "Hiawatha" is planned. At the Fort there will be a polo game, an aviation circus, military drills and other features. Thursday evening there will be vaudeville and dancing, and on Friday after-



*C., M. & St. P.*

### MINNEAPOLIS, "CITY OF LAKES,"

*has even within its boundaries beautiful lake-adorned playgrounds that are the envy of other cities. The region is accurately described as "the Land of 10,000 Lakes."*

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C. M. &amp; St. P.

*Where the Falls of Minnehaha  
Flash and gleam among the oak-trees,  
Laugh and leap into the valley . . .*

From "The Song of Hiawatha", by Henry Wadsworth Longfellow.

noon, golf and auto trips will be available.

An extensive entertainment, including teas, luncheon, etc., will be provided for the ladies.

It is expected that many of the delegates will stay over after the Convention in order to familiarize themselves still further with the industrial and natural features of this region.

The list of speakers prominent in national affairs who will address the various sessions, together with the details of the program will be announced later.

### **McGrath, Convention Chairman**

The chairman of the Executive Committee of the Convention, J. F. McGrath, President H. S. Holbrook of the Minneapolis Association of Credit Men, National Director F. B. Atwood, and J. L. Brown, secretary-treasurer of the Minneapolis Association with their associates on the Convention committee are doing every-

thing possible to bring success to the convention to be held in the largest city in Minnesota and the Northwest.

### **The Convention City**

Minneapolis is the manufacturing, wholesaling, retailing, financial, musical and educational center of a vast productive region. It has a population of over 425,000 and an area of 53.29 square miles in which are included 122 public parks with a total acreage of 4,020. There are 85 theatres in the city, 285 churches, and 26 hospitals. Its altitude is about 1000 feet above the sea.

Minneapolis is the home of the Federal Reserve Bank for the Ninth Federal Reserve District. There are eight national banks, 25 state banks, two savings banks and five trust companies in Minneapolis, with a total capitalization of \$17,440,000. Minneapolis bank deposits in January, 1925, were \$320,186,740.

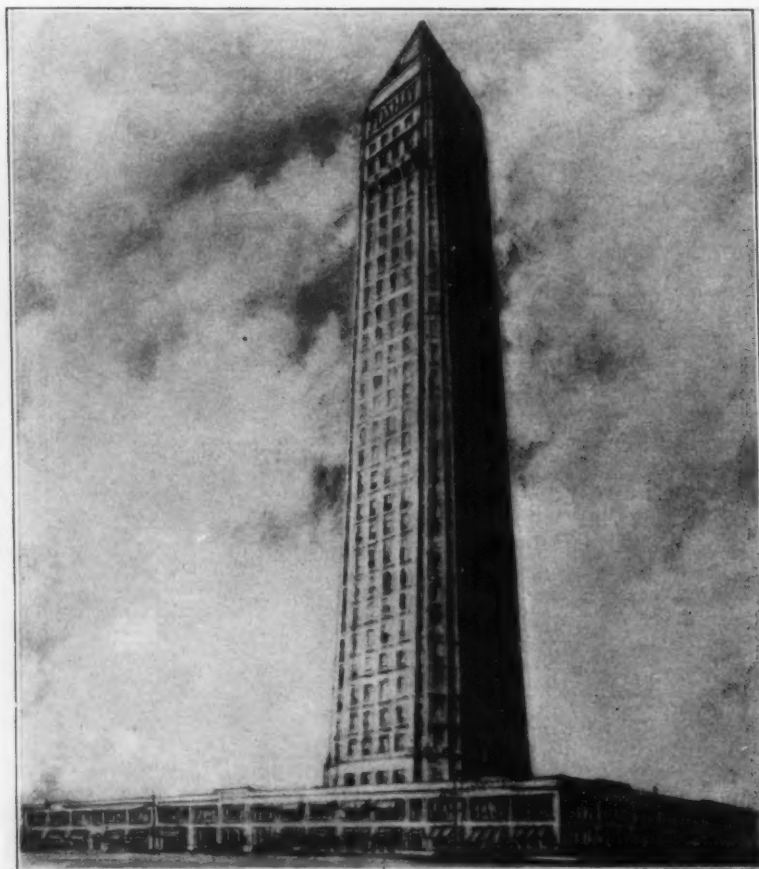
Scenically, Minneapolis is unique among all the cities of the world in-

asmuch as it has no less than six sizeable bodies of water—not mill ponds—but real yacht-going lakes—each with a shore line of from two to five miles long. All of these and a half dozen small ones are linked together by a magnificent system of parkway boulevards whose total length is more than fifty-six miles. These lakes provide bathing, boating, canoeing and fishing.

### **Climate**

Significant of the climate of Minneapolis is the fact that its mean annual temperature for July during the last thirty years, as compiled by the United States Weather Bureau, was 72.2 degrees. Mean temperatures for other months of the year were as follows: January 13.4 degrees; February, 15.2 degrees; March, 29.6 degrees; April, 46.1 degrees; May, 57.3 degrees; June, 67.6 degrees; August, 69.6 degrees; September, 62 degrees; October, 49.8 degrees; November, 33.3 degrees; December, 19.6 degrees. The mean annual temperature for





INSPIRED BY THE WASHINGTON MONUMENT, this 450-foot tower building, just completed, was built by W. B. Foshay Co. It dominates the sky-line and typifies the commercial enterprise of Minneapolis.

the twelve months of the year over the thirty year period was 44.6 degrees.

A few miles from Minneapolis is old Fort Snelling with its picturesque Round Tower where the settlers fled from marauding Indians. It is built on a high cliff overlooking the junction of the Mississippi and the Minnesota rivers and was for many years the most western outpost of civilization. On the opposite bank is Mendota, the oldest town in Minnesota, containing the first house built in the state. It was built in 1836 by Henry Sibley, fur trader, soldier, and later governor.

### State Highways

There are 7,000 miles of state-maintained highways in Minnesota, well marked with the state highway emblem, a yellow and black star bearing the number of the highway. Sharp turns, danger spots and fresh water springs are marked. Picturesque villages and hustling towns are entered at frequent intervals, so the

motorist is seldom far from a good garage. And more frequent than the towns are the lakes. Many roads wind for miles along lake shores, and at night the motorist always finds himself near a town or tourist camp, frequently on the shore of a lake or river.

The picturesque residential district of Minneapolis ranged along the shores of Minnetonka (a huge lake of a thousand bays and peninsulas, situated eighteen miles from Minneapolis) has been called the Newport of the midwest.

The Canadian Credit Men's Trust Association is holding its Convention this year at Regina, June 17-21, and a large contingent from that organization are expected to attend the N. A. C. M. Convention at Minneapolis during the following week.

W. S. Swingle of the Staff of Executive Manager Stephen I. Miller of the N. A. C. M. has been appointed convention director and will divide his time between the National office, One Park Avenue, New York City, and the convention city.

### To Independent Retailers

**W**ILSON NAYLOR, of the John S. Naylor Company, wholesalers of dry goods, notions, furnishing goods and floor coverings, Wheeling, W. Va., has sent to his customers a printed article entitled "Was Captain Kidd the 'Grandfather' of the Chain Store?", in which he says:

"The chain store isn't going to drive any independent merchant out of business who ought to be in business. In a country as huge as the United States there is plenty of room and plenty of success open to the independent, even granting that the chains are here to stay and prosper in their own limited field.

"In the United States the hundred-year tried combination of manufacturer-wholesaler-retailer is a great and efficient one, and the chain store can't get around it for the reason that in its operation the same functions must be performed. There is the buying expense; the warehousing expense; the distribution expense just as in the older combination, and it is bound to cost them practically as much. In fact, some chains operate with such a staggering overhead that it cancels all the gain they may have had from large quantity purchasing.

"Every section is being awakened to this vital fact: While the chain store may have its own limited sphere, it has about the same kind of interest in your community as a circus. Of course, as the chains 'play' your town daily year in and year out instead of a day or two in the summer, they have to be a little more polite. But they have no deep feeling for local traditions, local welfare, or local improvements, which, with other community things, are half the world to you and much to your neighbors and customers.

"The aggressive independent, backed by the wide-awake wholesaler, can successfully meet chain store competition today and tomorrow, and away into the future—far enough into it that there is no cause for any capable independent to have real worry about it during the rest of his lifetime. Make the dependable wholesaler do your warehousing and assist you in many valuable ways, and get the gratification which only comes from "Success with independence."



*The Farmer's Dream.*

# Tractors and Trouble

A True Story of Credit

By L. M. Weston

Acushnet, Montana

**T**HERE are not many farmers who would send a man to the field with a team of horses if he admitted that he had no idea how to drive, yet a considerable number seem to think they can run a tractor with virtually no training.

Not long ago, the head of a bank in an agricultural center was approached by a rancher who wanted to borrow six hundred dollars and offered a mortgage on fifty head of horses as security. The animals were worth three or four times that amount, as many of them were well broken work horses. However, the banker, as was his custom, questioned the countryman, and learned that the money was wanted to buy a second-hand tractor. More queries brought out the facts that the rancher knew nothing of tractors, had never run one, and was not enough of a machinist to know whether the engine he contemplated buying was in good condition or not. He was trusting entirely to the honesty of the man who wanted to sell it.

"Of course you know that oil, fuel, and repairs must be paid for on delivery," remarked the banker, "and that horse ploughs and other farming implements do not work well with an engine."

The rancher did not know, and had not considered anything but the fact that he wanted a tractor, and could buy one for six hundred dollars.

"How long have you lived on your ranch?" inquired the banker.

"Twelve years," was the reply.

"And in that time, how many good crops have you raised?"

"Four."

"One in every three years," mused the banker; "and

you say you had a good one last year, so you can't reasonably expect another for two years. How much land do you put in crops?"

"A hundred and sixty acres."

The banker shook his head, saying, "That's too small an acreage. You can't use a tractor, profitably, even when you know how to run one, which you don't, on less than five or six hundred acres. Stick to your horses, instead of raising money on them to buy a tractor."

"Aren't they good security," demanded the rancher, "and is it really any of your business how I spend the money?"

"Perhaps not," was the reply, "but if I saw you driving towards a quicksand that I knew about and you didn't, I'd warn you, although it might not be my business *where* you went; and I'm warning you now, not to swamp yourself in debts that you can't pay."

"All right, then I'll go somewhere else, if you don't want me for a customer," was the wrathful response.

It was a temptation—somebody was bound to make money on the tractor mad countryman. He could easily borrow money on the security he offered, but the banker was an honest man, so replied, "All right, it won't be on my conscience, and I won't have to take your horses when that note comes due."

More heart than brains—some might say who did not consider that the way to build up an agricultural community is to keep the farmers solvent, and prevent, if possible, their borrowing money to make foolish purchases. If we had enough country bankers like this one, our Agricultural Situation would not be as puzzling as it is.

***"The way to keep up an agricultural community is to keep the farmer solvent."***

# Collecting Letters

## Experiences of Canadian Debtor and Creditor

By H. G. Grey

Simcoe Poultry Farms, Simcoe, Ontario.

**R**UNNING over my credit correspondence for the last two years, I have divided my bills into three groups, (a) bills that have been paid promptly (b) bills that have been paid after two to twelve months (c) bills that have not been paid at all. I have also made some note of collection methods and letters—those I use in collecting my own bills, and those my creditors use to collect from me.

The data thus collected may not be especially creditable to myself or to others but as the credit manager of a firm deals with human beings and not cash registers, some useful information may be gathered from this article.

I find that I always *pay promptly the bills of people with whom I expect to have further dealings*, either purchases, sales, recommendations, service, etc., and *people from whom I have bought goods of high quality at a low price*.

I find that I am inclined to postpone payment to people from whom I have bought some individual article or service, which article has not given very great satisfaction, or which service has not been of much use to me, and to defer payment when my creditor forgets to send me his bill, or when he sends me a stereotyped form of collection letter.

I find that I have several bills unpaid after a period of some years. A repair bill from a garage and repair shop, for the installation of a second hand generator that broke down within a day of installation. Another bill for 53 cents from an advertising agency to which I sent a \$25 advertisement. The advertisement was billed at \$25.53, and the agency billed me every month for nine months for the balance of 53 cents. Not only is the 53 cents still owing, but I stopped dealing with the agency.

A bill for which payment was demanded by a collector, within a few days after the date due—perhaps my disinclination to pay this bill is due

to the fact that I was wakened early in the morning by the collection man, or to the note that the mailman delivered the next day. The bill was enclosed, with a longhand note: "We expect this to be paid immediately." Am I peculiar, in that my reaction to this statement is, "Oh, you *do*, do you?"

### A Courteous Letter

Now let us consider some types of collection letters. Here is one that I had occasion to mail only a few weeks ago:

My dear Miss B—

I am so sorry to trouble you with this, but I find that my bill for eggs expressed to you in November, is still unpaid. No doubt this is my fault for not sending you a statement in November or December. We were so busy during these months that it probably escaped my notice. Would you mind sending me a check as soon as possible?

Sincerely yours

Is this a collection letter? Apparently so, since a check arrived by return mail. Yet the last two sentences took away any suggestion that the debtor was in the wrong. I left the way open for immediate payment without any hint of compulsion. I even, to use a slangy expression, "made the debtor feel good." Yet how many credit men would recognize this as a collection letter?

The truth is, that a great many firms keep a most dangerous employee in their office, and that employee is known as the credit or collection man. This is the firm's own fault. They do not know what the qualifications of a collection man are, and they have no other slogan than, "This is our bill—let it be paid." In other words, there are a great many cash-minded business men doing a credit business. A credit business is really a financing business. The merchant finances his customers, he lends them money with which to operate their business, whether the business style is the "Jones Automobile Company" or merely "Wm. Jones."

To finance others in life or business, calls for a special type of mental outlook, an outlook entirely different from the one needed by the man who, for example, buys and sells old clothes for cash. There is a risk in lending money or goods, a risk that the credit merchant is expected to recognize and allow for. The usual collection attitude of "Your bill was due three days ago. Unless you pay it you are a thief," is entirely wrong. The debtor of three days is not to be compared to a man who has committed a robbery. Three days overdue, does not mean "Three days a thief." Yet such is often the attitude of collection men in many kinds of trade.

### A Poor Collection Policy

Perhaps I seem to be overdrawing this. Let me quote an example. For nine months I sent in my advertising by mail to the Blankville Bugle. One day I visited Blankville, and mailed in an advertisement from my hotel. I mentioned my previous business with the newspaper and wrote on my business letterhead.

My advertisement appeared in the first issue ordered, and the second. I cancelled it on the second day, because the collection man for the paper called at the hotel for payment. He called three or four days in succession, and then followed me to a house I rented in the city. His slogan, which he reiterated loudly and long, was, "We want our money!"

The bill ran into the second month before payment, and I often regret that I did not postpone payment for a longer time. Each of the collector's visits was followed by a telephone call I put in to the paper, upon the collection and advertising departments of which, I expressed myself in full. The collector, I regarded only as an agent for his employers. But the question that troubles me, is why the necessity for such antagonistic methods? In the end, I called and paid my bill at the cashier's wicket in the publisher's office.



At one period of my life, I worked for a collection agency. My business was to sell our service and to list debts for collection. The firm I worked for did pretty well, made a fairly large percentage of collections. But, though the half-hidden threats, the fear of unknown collection methods, stimulated nervous debtors into making some effort towards payment of their bills, I have no reason to believe that friendly methods would not have worked just as efficiently, and methods such as the following, still more efficiently:

"Dear Mr. Blankbland,

At this season of the year we are very much overstocked with young cockerels. They eat up our grain, and lay no eggs. I feel that some of our customers would find them very useful for selling as broilers or fryers, but, being Leghorns, they are really too small to ship to the recognized markets.

Would you care to have some? I would be glad to ship some to you if you will pay the express charges, and return the crates or pay us a nominal charge for the latter, which you can probably use in your own business.

In place of these cockerels that we are giving away to a few of our valued customers, we are purchasing a few stud birds in order to develop a fine

laying strain for the next winter season. You will find that our eggs will probably be larger than ever before. In order to raise the money to pay for these new purchases, we are asking our customers to close up last year's accounts with us; I think that you have a small balance of fifteen or twenty dollars. Would you oblige me very much by sending me this as soon as possible? If you could manage it before next Friday, I would be extremely grateful."

Sincerely yours,

There are collection letters and collecting letters. It would seem as if the less like a collection letter, the quicker the collecting.

# The Credit Protection Fund

## A Significant Contribution to the General Welfare

WITH the launching of campaigns in New York, Philadelphia and a dozen other cities of the northeast, the National Association of Credit Men made encouraging strides during March toward the raising of its second Credit Protection Fund. On April 1 quotas totaling \$850,000 were in process of being raised toward the \$1,750,000 final, national objective of the fund.

New York started its campaign for \$500,000, the largest quota of all, with an enthusiastic dinner on March 18. Most of the 250 campaign workers were present, with a group representing the North Jersey Association of Credit Men, which will conduct campaigns in Newark, Paterson, Elizabeth, Bayonne, Hoboken and the Oranges.

### An Investment

United States Attorney Charles H. Tuttle, whose investigation of bankruptcy conditions has attracted nationwide attention, told the campaign workers that, in his opinion, the work of Credit Protection was the most significant contribution made by any business organization toward the general welfare.

"A subscription to the Credit Protection Fund is in reality an investment in insurance," he said, "and I know of no other investment which pays such high dividends.

"The record of the first fund in cutting down credit losses and combatting dishonesty in business—657 convictions and 619 indictments

awaiting trial—speaks eloquently of success, but it does not tell the whole story. For every commercial criminal sent to prison with a substantial sentence, many other persons

have been deterred from breaking the law. The number of frauds you have exposed under the Credit Protection Fund has amply justified the money spent, but the number you have prevented is much greater."

The high point of the opening meeting, following Mr. Tuttle's address, was the announcement that \$66,350 in advance subscriptions had already been received toward New York's quota. George H. Williams, of H. A. Caesar & Co., accepted on behalf of the textile division a quota of \$200,000, announcing that one-fourth of it was already subscribed. Team captains from 25 other lines of business also accepted the quotas assigned to them.

### Active Campaigns

Philadelphia was scheduled to start its drive for a quota of \$150,000 with an opening dinner on March 25. Several cities of eastern Pennsylvania, including Allentown, Scranton, Easton, Harrisburg and Reading, are included in the Philadelphia district. A campaign organization 200 strong has been built up under the direction of Walter K. Hardt, president of the Integrity Trust Co., of Philadelphia, and chairman of the campaign committee there.

Newark started its campaign simultaneously with New York, but New Haven, New Britain, Hartford, Bridgeport and Waterbury, also included in the New York District, are not to start their intensive campaigns until early in April.



World Wide Photos.

HON. CHARLES H. TUTTLE

U. S. Attorney, Southern District of New York, says subscriptions to the Credit Protection Fund pay the highest dividends.

Boston, the first key city to get its campaign started, is continuing its drive into April, due to the fact that work was slowed down during the income tax period around March 15. Frank S. Hughes of the Federal Reserve Bank of Boston, chairman of the committee there, has expressed confidence that Boston will meet its quota of \$85,000. Worcester and Springfield, both cities in the Boston district, have their drives vigorously under way.

April will see three more cities cross the starting-line of the campaign. These are Providence, Buffalo and Rochester. Preliminary plans are being completed to run twin campaigns in Buffalo and Rochester during the latter part of April. At the same time arrangements are being made to conduct campaigns in Pittsburgh, Cleveland, Toledo and Cincinnati during May. Although the intensive drives in Pittsburgh and the Ohio cities are still a month off, much of the early organization work has already been accomplished. New Orleans is also considering a campaign in May and early June, but the plans have not yet been completed.

The conference of committee chairmen for the Central States in Chicago on March 4 was attended by a representative of every city in that division. Valuable data on local conditions was collected, and the whole plan of campaign was revised as a result of the meeting. In general, it was thought advisable to hold campaigns in the industrial cities during the Spring, and in the centers depending largely on agriculture during the Autumn.

Chicago and Milwaukee are starting preliminary subscription campaigns, with the intention of cleaning up all subscriptions of \$200 or more before the beginning of the vacation season.

The greatest need so far encountered by the campaign organizers is for sufficient man-power in each city to see that every prospect is reached by a competent worker. Great stress is being laid on personnel in campaign committees, to the end that each city shall have an efficient, well-organized working group when the campaign starts.

It is now hoped that most of the heavy work for the entire country can be done prior to the convention of the National Association of Credit Men in Minneapolis. The slogan is: "Take a Million to Minneapolis!"



*Secretary of Commerce Lamont*

# DEPARTMENT OF COMMERCE

Office of the Secretary  
WASHINGTON

March 23, 1929.

National Association of Credit Men,  
1 Park Avenue,  
New York, N. Y.

Gentlemen:

My attention has been called to the campaign started by your organization in the year 1925 for the suppression of fraudulent transfers of bankrupt stocks and other forms of credit abuse in business, the prevalence of which was a serious menace to all legitimate business interests in this country.

It is my understanding that as a result of your well organized efforts in combating this evil much good has been accomplished, and I am glad to learn that it is the intention to continue your efforts in the same direction.

The business interests of this country are fortunate in having an organization such as the National Association of Credit Men to wage for them a fight of this character.

You have my best wishes for your success in the continuance of this most important effort.

Very sincerely,

R. P. LAMONT,  
Secretary of Commerce.

# Economics of Merchandising

By Stephen I. Miller

Executive Manager, National Association of Credit Men

*This is the third of a series of articles on Economics written by Dr. Miller for the CREDIT MONTHLY.*

**I**N order to have value, a thing must possess utility and scarcity. Many a thing, such as water, is useful,—that is, it has utility,—but under many conditions has no value because it exists in such quantities. Anyone who increases or adds to the utility of an article, which has scarcity, adds to its value and therefore is a producer. The merchant, wholesaler or retailer, *increases the value of products by making them more accessible to the consumer.* The farmer produces apples, which have little value on the farm. It is the middleman who carries the production a step farther, making the apples available to his customers.

Services must be recognized as economic and entitled to compensation. Many who criticize the marketing system as being an exploitation, as something unnecessary in the economic system, fail to see this contribution of service. It is clear that the merchant renders a service in bringing commodities closer to the hands of the user. In doing this necessary service he removes a risk from the farmer, who raises the crop. If the farmer or manufacturer doubts this, let him assume the responsibility of putting these products at the door of the consumer.

The value of the merchant's contribution to the business system depends upon the efficiency with which it is rendered. It is evident that a wholesaler or retailer, with a very small volume, can not distribute at a low unit cost of distribution. Neither can a manufacturer with a small volume produce at a low unit cost of production. A large share of our economic prosperity has resulted from mass production. Likewise distribution or merchandising should not be upon such a small scale as to make impossible the economies of reasonably large-scale business. This does not mean that merchandising will necessarily drift to the hands of great business organizations, but

it does mean that merchandising must be predicated upon a volume of business sufficiently large to keep costs upon a competitive basis.

It must always be remembered that the merchant renders a service not alone in bringing the commodities to the customer, but in selling them with courtesy. And it happens that courtesy is a service that the customer is willing to remunerate. This fact puts the smaller merchant in a very advantageous position. He meets his own trade. He is something like the farmer who holds his own plow handles.

## Economic Buying

Goods may be sold by salesmanship and advertising and insofar as the salesman and advertiser are honest, a distinct service may be rendered to the buyer. The advance in the American standard of living is largely the result of a greater variety of things used, as well as a better adaptation of commodities to our needs. The salesman and the advertiser do not merely sell goods, they stimulate new desires and thus broaden the category of things enjoyed. Here is another service of the merchant which is of value to the buyer and which stimulates the manufacturer to a more intelligent use of his plant.

In order to be economic, buying must get the right thing at the right price. It should go farther than this. It should get the right thing at the right time. The thing bought

should have the right quality and it should be bought in the right quantity.

One of the most vital problems in merchandising today is this very question of buying. A survey of many stores brings to life the appalling fact that shelves are loaded with goods that have not moved at the proper time. This is not merely the result of changing seasons, styles and tastes, but rather failure to co-ordinate stock with demand. There is scarcely a stock in bankruptcy that does not reveal the reasons why the merchant failed.

At this point the wholesaler can be of inestimable service to himself and the retailer. *Good selling consists of developing good buying.* The salesman of a high order is not the one who indiscriminately loads up the merchant but rather the one who sells with due regard for the success of his customer. A good doctor diagnoses his patient's ailment and prescribes the medicine that will restore health. This is exactly what a good wholesale house should do. Here will be found an educational service that will help the wholesaler, the retailer and the consumer.

A successful mechanic should have his tools in such accessibility as to avoid waste of time and energy. One of the chief means of lowering production costs has been found in the proper sequence of the productive processes—in routing the material through the plant in such a manner as to save time and labor. Likewise the progressive merchant does not throw his stock upon the shelves without due regard to convenience and economy. The lay-out of a store is as important as the lay-out of a manufacturing plant.

The story is told of a merchant who put a pedometer on his clerk each of four successive Saturdays and found that his average distance traveled in waiting on customers amounted to twelve miles. By a more careful arrangement of his stock the merchant was able to get the same results on a basis of eight miles. This

(Continued on page 29)

## The Consumer

is interested not only in the goods but in the time, place and manner of their selling—according to this economist.

The consumer is therefore willing to pay the costs of proper merchandising.



# What Newspaper Editors Say

## Pittsburgh Post-Gazette:

"There is nothing new in principle in the prompt and striking success achieved by the National Association of Credit Men through its organized and systematic campaign . . . against commercial criminals. Organized, systematic and persistent prosecution always has that result . . . Back in 1925 the annual fraud loss (through fraudulent bankruptcies) was put at \$500,000,000. The business leaders raised a credit protection fund and put an efficient force of credit investigators to work . . . The assurance that this gain against the commercial criminals will be held and extended lies, of course, in the fact that a new war chest of \$1,750,000 is being raised by the credit men of the country to keep up the fight."

## Boston Post:

"Since the formation of the organization in 1925 the Credit Protection Department has obtained the convictions of 612 rascals who would probably have otherwise gone scot free . . . Eternal vigilance and the constant spending of money is necessary to keep down this species of crime . . . There is no 'drive' for a public subscription, of course; the money is to be raised among banks, manufacturers and business houses. But the people at large are benefited indirectly by the capture of every credit crook that is made. If they thoroughly understood it, they would cheer every time one of them is sent to jail."

## Atlanta Journal:

"The National Association of Credit Men did an immense public service in 1925 when it raised a fund of one and a half million dollars for the prosecution of commercial fraud. Since then, and largely because of that good work, there has been a marked falling off in the number of thievish bankruptcies. The evil, however, is still formidable, so much so that the association is now raising one million, seven hundred and fifty thousand dollars to carry on the crusade. Informed business men need no reminder of the value of such an endeavor and of the duty of supporting it. But the public also would do well to take note that the protection of upright merchandising and the outlawry of unprincipled adventurers is of vast importance to the common weal."

## Portland (Ore.) Journal:

"Four years ago the National Association of Credit Men undertook to chase the crooks out of business. It found that the two-gun men and gangsters get the headlines but that the big swag goes to the gentry of oily tongues, slick fingers and slicker brains. Science has lengthened the life of the individual from 37 to nearly 58 years; the credit men hope to shorten the life of the average crook until he passes out in the childhood of his crimes."

## Boston Transcript:

"Included in the plans is the raising of a fund of \$1,750,000 to provide the

means for co-operating with Federal and State authorities in securing the enforcement of the law. For this purpose, it is stated, the country has been divided into districts. Evidently it is proposed to conduct this movement for the protection of business in a business-like fashion."

## Terre Haute Star:

"The association . . . is a co-operative organization for fighting professional and amateur crooks. . . . It is fearless and effective and has no connection with any other credit and investigating agencies."

## Jackson (Mich.) Citizen-Patriot:

"Credit frauds figure as the largest item in the plunder of the commercial crooks. But that condition is being changed, with business men fighting it side by side with the Post Office Department and United States Attorneys. The credit racketeers can operate only with the help of credit methods which allow them to reap their harvest, and it is satisfying to know that the harvest is being curtailed."

## Washington Post:

"It is only of recent years that the public, made familiar with the subject by such agencies as the National Association of Credit Men and the Better Business Bureaus, has come to realize that commercial crime plays an important part in bleeding the veins of legitimate business . . . The conditions . . . responsible for the growth of the business of commercial crime . . . should not be changed if prosperity is to continue at its present peak. The remedy lies not in a change of conditions, but in the maintenance of unceasing vigilance against commercial crime by such organizations as the National Association of Credit Men and the Better Business Bureaus, working in close harmony with police authority."

## Chicago Journal of Commerce:

"The decline in fraudulent bankruptcies has resulted from vigorous counter-activity by business in general and by the association in particular . . . Fraudulent bankruptcies began rapidly increasing in number several years ago as a result of the intensive business effort to increase sales by finding new retail outlets . . . Credit frauds developed into a far flung business during the first years of easy credit; but the counter-acting effects of legitimate business have caused a sharp decrease in the amount of criminality in bankruptcies."

## Fort Worth (Texas) Star-Telegram:

"The association is able to report a 12 per cent. decrease in the number of fraudulent bankruptcies in the past two years. But last year, according to the best available estimates, there were still fraudulent bankruptcies to the amount of \$500,000,000. It is evident that there is still room for considerable improvement, which can be

brought about by vigorous continuation of the present organized efforts to combat credit criminals."

## Brooklyn Citizen:

"That the work has been well done does not admit of doubt . . . Now the movement has been started . . . to provide for continuing the nation-wide war on commercial crime. This movement is taking the form of a campaign to raise the Second Credit Protection Fund . . . Judging by the good work done in the past four years, there should be no trouble in raising the required amount."

## Wall Street Journal:

"Business men should give the Association their financial support. Functioning as a credit police force, the department has already made itself felt as a deterrent to credit crime . . . The department is working so smoothly and efficiently that a subscription to the Second Credit Protection Fund is in effect an insurance policy against losses which have been a constant threat to business men."

## Boston News Bureau:

"The Credit Protection Fund has resulted in a large saving to the individuals whom the department serves. . . . But the credit fund raised in 1925 will be exhausted by the end of 1929, and the association was faced with the alternative of giving up the work or raising a new fund. It is of course unthinkable that business men should give up the ground gained in a strenuous campaign of four and one-half years."

## Wilmington (Del.) Journal:

"The credit investigation agency established by the National Association of Credit Men to combat credit frauds . . . is achieving a measure of success that well merits the support which the association is asking for the Second Credit Protection Fund."

## New Orleans Times-Picayune:

"Little wonder then that the credit men, the first line of defense against these criminal operations, should be seeking more stringent means of checking the loss out of making the 'billion-dollar industry' (of commercial crime) too dangerous for its perpetrators for them long to continue in operations."

## New York Journal of Commerce:

"It is probably not overemphatic to

THE press comments reprinted in the number of recent newspapers on Credit Protection. The widespread enthusiasm of the editorial excerpts on credit executives of the United States business honesty.

# Why About Credit Protection

say that unless private agencies are prepared to lend such assistance (in co-operation with government in fighting commercial crime) bankruptcy rings will continue to flourish, no matter what methods are devised for appointing receivers and no matter how drastic the punishment meted out to offenders under the law."

## Charlotte (N. C.) News:

"The National Association of Credit Men has set itself energetically to the warfare against crime. . . . Business may be said, therefore, to have arrayed itself against the criminal and the criminal tendencies which are so persuasive and persistent in this generation. It is time for all good people, law-abiding and justice-loving, whether they be business men or what-not, to be seriously thinking along the same line."

## Lynn (Mass.) Item:

"The achievements of Credit Protection have proved beyond question its effectiveness. It has won nation-wide confidence and approval because it has demonstrated its ability to perform well the task assigned to it, namely, exposing credit frauds and bringing offenders to justice. The value, however, cannot be measured alone in terms of its record made in the detection and exposure of commercial crime. The full worth of the work is gauged by the service it has performed in reducing financial loss among banks and business houses and in raising the moral standard of business."

## Providence Journal:

"This is a good record in efficiency. When one considers the fact that one is dealing with men who as a rule are past masters in the art of commercial trickery and fraud, and who are fully conversant with all the possible loopholes in the statutes through which they may slip . . . the number of indictments and convictions is imposing. Obviously the money that is being saved for honest business men by this persistent campaign of the National Association of Credit Men must be many times the amount that is being requested for continuance of such efforts."

## Wall Street News:

"The National Association of Credit Men is at present engaged in a drive to raise a Second Credit Protection Fund . . . with

which to carry on its investigations after the present year. This is an effort that will have the cordial and hearty support of reputable business concerns in every section of the country. The association is doing splendid work in helping to keep American business clean."

## Tacoma (Washington) News-Tribune:

"Dr. Stephen I. Miller, executive manager for the credit men, suggests that business may save more by vigorously cutting down the fraud tax levied on it by commercial crime than by any further cut it can hope for in federal taxes. Fortunately fine work is being done already in this field by the credit men themselves."

## Atlantic City Union:

"Three years ago when business leaders raised a Credit Protection Fund and put an efficient force of credit investigators in the field, the annual fraud loss was estimated at \$500,000,000. Today, for the first time in history, according to Stephen I. Miller, executive manager of the National Association of Credit Men, the forces of honest business have the criminals on the run . . . It is an excellent record."

## Rochester (N. Y.) Journal:

"Carrying on the battle against fraud, fighting for the conservation of all resources, the National Association of Credit Men and its various branches deserve the loyal support of business everywhere. Whether it is given or not, this is certain: All legitimate business has been benefited and will benefit from the work of these associations in preventing swindling and raising the standard of honesty in business."

## Sioux City (Ia.) Journal:

"It would seem that credit men throughout the country had before them a challenge for the future, that of preventing the permanent establishment of a so called crime industry. Business long ago recognized the fact that losses were inescapable, but that does not necessarily mean that commercial crime shall continue to reap such heavy profits. A decline in the crime industry automatically would show an increase in the profits of legitimate business."

## Chicago Post:

"The value of the department is not measured by the number of cases handled. The effect it is having on the criminals cannot be figured in dollars as can be the \$1,105,381 in recoveries. It is estimated that each case is handled at a cost of \$400. The expenses to an individual in most cases would be many times that for attorney's fees, accountants and investigators. The fund is a money saver to the commercial institutions of the nation and a benefit to the ultimate consumer to whom business losses are very often passed along."

## Peoria (Ill.) Star:

"When the National Association of Credit Men began to make investiga-

tions and to get the opinions of federal authorities who are familiar with bankruptcy operations, it decided that nothing short of a national investigation with prosecutions could reduce the bankruptcies to the minimum. It is taken for granted that there is a need for bankruptcy laws . . . . But with fraud operating in a wholesale manner and with more than occasional bankruptcies when they are not necessary, the association maintains that it has a big and important job to do . . . . Already the association has done some good work . . . . But with the expansion of business and more cases to be investigated and prosecuted, the association now finds that it must have a larger sum available for the work."

## Waltham (Mass.) News-Tribune:

"The degree of success achieved by the association furnishes a lesson to the police officials of the country by showing the value of nation-wide co-operation. To be successful, it was necessary to secure the active assistance of the organized police not in one place but in hundreds . . . The fact that so much has been done toward making the way more difficult for the commercial crime artist is evidence enough of the value of such association."

## Chicago Herald and Examiner:

Thomas Temple Hoyne, special writer for the Chicago Herald and Examiner, said:

"During the last four years the National Association of Credit Men has effectively waged war against commercial fraud and crime. . . . Such frauds eat into the whole credit structure and weaken it by impairing confidence. . . . Business men do well to give the National Association of Credit Men generous financial support."

## Indianapolis Star:

"The National Association of Credit Men is preparing to launch a second campaign to raise money for its nation-wide fight against commercial criminals . . . It is proposed now to get \$1,750,000 to carry on the work which has been so successfully started. Sufficient money is on hand to provide for the activities of the workers during the present year. The results accomplished should insure a continuation of the protection that has been provided."

## Omaha World-Herald:

In the Omaha World-Herald and thirty other Sunday newspapers, Harden Colfax, financial writer for the Consolidated Press Association, said:

"With grim determination to knock a few sizeable segments out of the bankruptcy rings which burden the business fabric of the United States, the National Association of Credit Men . . . launched a drive to raise a fund of \$1,750,000 for investigations and prosecutions. . . . The credit men are now going out for further victories."

These pages are selected from a large newspaper editorials commending the work of the National Association of Credit Men and the warm newspaper comment and the warm editorial exceptions constitute a significant tribute to the United States for their efforts in behalf of

# In the Same Boat

## Victims of Arson and of Fraudulent Failure

By William Quaid

Vice-President, Continental Insurance Co., New York

**C**REDIT and insurance are in many ways synonymous because each in its way makes for financial stability. Therefore, no two activities should run more side by side than the activities of insurance and the activities of the Credit Manager. And it is when such is the case that the true worth of insurance will be realized by the Credit Manager and the true worth of the Credit Manager will be appreciated by insurance.

The major insurances, such as fire, life and marine, safeguard against what may be complete financial catastrophes. However strong the financial rating of the customer, a loss from any one of these major hazards may often wreck the whole financial structure. That means, in such cases, that nothing stands between failure, receivership and all of the attendant losses, but the insurance policy.

### A Credit Safeguard

It is the possibility of insolvency that is the reason for the Credit Manager. Obviously, if the credit risk presented is a shaky one, then it is a comparatively easy matter for the Credit Manager to decide whether he wants to take a chance or not. But when the financial standing is a passable or high one, then it seems to me that the Credit Manager's work is the hardest. Certainly, if a passable or high credit risk was accepted and the plant was destroyed by fire, and through insufficient insurance the concern was forced into the hands of a receiver, the Credit Manager would have done poor work for his house if he had not demanded that the solvency of the concern should have been safeguarded against loss by fire. Likewise, the Credit Manager would have been unfair to his customer. However, from his broad experience he is in a position to see how essential insurance is. As a rule the most successful merchants and manufacturers are the best buyers of insurance.

Another and very vital place where the insurance company and the Credit



Manager's trails cross is in the dishonest merchant. So much of value to the Credit Manager is in the files of the insurance company and so much of value to the insurance company is in the files of the Credit Manager that both should work towards a closer contact.

### Dishonest Claims

The weak or dishonest in business generally pursue one of two methods to recoup,—by a dishonest fire or a fraudulent failure. The man who has a dishonest fire to-day and starts in business again with the money collected from his insurance policies, will probably find himself again in difficulties later,—at which time he is likely to use the fraudulent failure method. Here is certainly a vital community of interest for the insur-

ance company and the Credit Manager.

The insurance business is beginning to find itself in the same position in the matter of dishonest claims that the Credit Manager is in. The time has apparently arrived when the Credit Man understands that the community wants no temporizing with the crook in business.

For years the insurance man has struggled alone with the question of the crook who uses insurance as a means of making money. To-day the business man is beginning to understand that every crooked fire is in some way affecting him and, therefore, is his concern as well as the concern of the insurance company. And to-day the way to handle the fraudulent fire should be and is becoming to be the same as the way the fraudulent bankruptcy is handled, and that is by the proper public officials, whose function it is to prosecute crime.

One point that it is well for the Credit Manager to consider is that insurance does not cover property or goods. What it does cover is interest in property and goods. So for that reason it has often seemed to me that the Credit Manager should be sufficiently familiar with general insurance customs, practices and coverages to be somewhat in the position of an advisor on insurance matters. I know that the Credit Manager is used by customers in an advisory and consulting capacity in many different directions and that often the subject of insurance does come up.

### Insurance Forums

I had the privilege and pleasure last winter of talking to the New York Credit Men's Association on the subject of insurance at one of their dinners and open forums. It was most pleasing to me to note the interest that the men at the meeting took in the discussion of insurance problems. So much so, that Presi-

(Continued on page 30)



# Burroughs



## Typewriter Billing Machine

The only machine that writes and computes the complete invoice in one operation.

With any other method the bill must be figured first, then copied.

This Burroughs types the bill, computes and prints the amount of the item, totals the items, computes and subtracts discounts and by a single key depression prints the net amount of the bill.

### Important Burroughs Advantages

1. Direct Multiplication (not repeated addition) in computing extensions, which are printed by depression of only one key.
2. Automatic alignment of figures — dollars under dollars, cents under cents.
3. Automatic accumulation of three or more totals.
4. ONE key depression prints results and totals (no copying from dials).
5. Electric return of carriage.
6. Direct Subtraction of freight, commission or other charges.
7. Errors in key depressions may be corrected before amount is printed or added by depressing only one key.
8. Convenient and compact machine keyboard.
9. Fractions handled in price and quantity.
10. Electrically operated.
11. Full cent key takes the full cent when the fraction in answer is one half cent or over.

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## Havoc ~

Property of every description is subject to damage from the use, storage or transportation of explosive material.

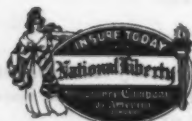
The power inherent in certain factors used in manufacturing processes, building construction, locomotion and heating is released frequently without warning, destroying hundreds of thousands of dollars in values, and to the detriment of business and credit. The effects of such catastrophe could be offset by the protection of

### Explosion Insurance

Take the advice of the National Liberty Agent when he suggests this important coverage to you.

**National Liberty**  
Insurance Company  
of America.

Home Office: 709 Sixth Ave.  
New York



Over \$76,000,000 Losses  
Paid Since Organization

# Creditors Get 88.5% Bankrupt Goes to Prison

By G. P. Horn

Executive Manager, Omaha Association of Credit Men

A POVERTY statement, alleging that he had no funds to pay a filing fee, was made by Adam B. Norris, operating a cafeteria and soft drink parlor, when he filed a voluntary petition in bankruptcy. He scheduled the following assets and liabilities:

ASSETS	
Stock in Trade .....	\$75.00
Fixtures, subject to mortgages...	7,500.00
	\$7,575.00
LIABILITIES	
Taxes .....	\$136.43
Secured Claims .....	4,500.00
Unsecured Claims .....	3,925.26
	\$8,561.69

A short time before the filing of the voluntary petition in bankruptcy, the Adjustment Bureau department of the Omaha Association of Credit Men endeavored to have the creditors whose claims they were representing file an involuntary petition in bankruptcy. This effort was made because the Bureau had got wind of the fact that certain real estate holdings had been transferred by Norris. But, for the reason that there were no assets in sight, creditors refused to advance any money; and four months after the transfer of real estate the voluntary petition was filed.

### Creditors Not Interested

At the first meeting of creditors there was no particular interest shown in this case. Only the Adjustment Bureau and its attorney were represented at the hearing. A representative of the Bureau was elected Trustee.

Investigations were conducted immediately relative to the real estate which had been transferred. The case developed in a satisfactory way. Eventually it became possible to prove that Adam B. Norris had transferred this real estate to himself by writing his last name backward like this: A. B. Sirron.

Although Norris had claimed that he was poverty-stricken and had only

a small amount of property clear of mortgages, the following receipts will show what was eventually recovered:

RECEIPTS	
Bank Balance .....	\$ .14
Sale of Perishables .....	12.50
Cash found in safe .....	.53
Recovery on sale of equipment...	68.64
Sale of Real Estate—Lot "A"...	6,100.00
Sale of Real Estate—Lot "B"...	7,470.84
Rent on Real Estate—Lot "C"...	1,400.00
Refund on Insurance .....	75.81
Sale of Chairs .....	3.00
Sale of 11 tables and 22 settees...	65.00
Building Co. Stock, 1st Dividend	557.18
2nd Dividend .....	371.85
Sale of Stock .....	50.00
	\$16,175.51

After taxes and certain real estate mortgages, together with the expense of administration, had been paid, there was available for distribution to creditors \$7,112.65, representing a dividend to them of 88.5 per cent.

During the entire proceedings and in the administration of the estate, Norris resisted the efforts of the Adjustment Bureau, whose representative acted as Trustee, and its attorneys.

There is a happy ending to this story: After the indictment by the Grand Jury upon the evidence submitted by the Association to the Department of Justice, the bankrupt came before the District Judge and plead guilty, whereupon he was sentenced to one year and one day in the Government Penitentiary at Leavenworth.

### Warning

MEMBERS are warned against an individual using the name of Thomas G. Clark who represents himself as an employee of Proudfoot, Chinal & Co., Inc., 117 Liberty Street, New York.

Members of the National Association of Credit Men have reported that this man's method of operation is to request financial information on behalf of Proudfoot, Chinal & Co., Inc., and after thus establishing the confidence of his proposed victim, he requests that a check for a small amount be cashed, which check subsequently proves to be worthless.

Any members having experience with this individual are invited to communicate with the National Association of Credit Men.

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## Economics of Merchandising

(Continued from page 23)

was economy of the highest order.

No one can price goods to secure a fair profit who does not know his costs of doing business. A contractor cannot bid for a job and expect to profit unless he knows his costs of material and installation. No one expects a small-scale business man to install an accounting system of a detailed nature. However, there are some things that the merchant must know. It does not require a complex system of accounts to keep an inventory, to check bills receivable, to safeguard cash, to determine overhead, and to figure at least approximately his profits or loss. Accounts create the basis for economy; they make it possible to put required information in the hands of creditors and constitute the only intelligent basis for price determination.

### Business Costs

Business success depends upon the ability of the business man to take advantage of every possible economy. This makes it necessary to know the *technique of merchandising*. But in order to take advantage of the most progressive and economic business organization it is necessary to have constructive imagination. There are relatively few men who reach middle life with a receptive mind. This is one reason why business progress is often measured in terms of generations. It is indeed difficult to teach an old dog new tricks. This is the chief reason why authority is so often necessary in order to maintain a growing organization. It is the principal reason why co-operation so often fails to fulfill expectations.

### Imagination

Anyone may go into the average store and see how small a part imagination plays. There are some business men with whom it is a pleasure to do business. Prices alone do not determine the volume of business; price is not the only service that can be rendered the customer. The day of the argumentative, belligerent sullen and unkempt merchant has passed. It requires a fast moving mind to keep up with changing economic conditions.

This is particularly true in merchandising where the margin of profit, even at the best, is very narrow. Day by day new services are being introduced in the field of marketing; prices are continually changing, making large inventories perilous; changes of style and taste play havoc with the continuity of demand; credit conditions must be analyzed with increasing care; the economics of location are subject to the ebb and flow of the crowd. This is the day of the master mind in merchandising.

## Successful Author Started On Borrowed \$500

IT is not only commercial ventures that start on borrowed capital. Arthur Bartlett Maurice, writing in the March issue of *The Bookman*, tells how Sinclair Lewis borrowed \$500 from his father to finance himself while he was writing "Main Street." Incidentally, Mr. Lewis anticipated for his famous book a sale of a modest 25,000 copies. Actually 800,000 copies have been sold in America up to date.

## Industry's Largest Research Laboratories



**M**ORE than five thousand scientists, engineers and their associates work unceasingly in the Bell System engineering staffs and research laboratories to make tomorrow's telephone service still better than today's. Recent discoveries are permalloy (a new alloy), and rubidium, a metal sensitive to light—two of many evidences of the continuous improvement in Bell System facilities.

*Vital Facts for Investors about  
American Telephone and Telegraph  
Company Stock*

Back of this stock is a capital investment of more than three and a quarter

billion dollars. In 1928, ninety million dollars was expended by the Bell System for central office equipment, one hundred and eighty-five million for aerial and underground lines, and another hundred million for subscribers' telephone equipment and private branch exchanges. The Bell System is constantly expanding. Between 1912 and 1917 3,083,000 telephones were added to it; between 1917 and 1922 3,511,000 telephones; between 1922 and 1927 4,315,000 telephones. And this growth is continuing at the rate of more than 2,000 telephones a day.

May we send you a copy of our booklet, "Some Financial Facts"?

**BELL TELEPHONE  
SECURITIES CO. Inc.**

195 Broadway



New York City

When Writing to advertisers, please mention the Credit Monthly



## From Darkness into Light

(Continued from page 13)

*something about business in general and everything that it is possible to know about credits in particular.*

The basics of a credit executive's educational foundation are of course credit and collection procedure, analysis of financial statements, and advanced credits. Supplementing this technical backbone, as it might be called, are economics, law, merchandising, business English, and public speaking. The curriculum of the National Institute of Credit covers these requirements, and the National Association of Credit Men is to be commended for the excellent program outlined in the Institute's curriculum.

Underlying and permeating the entire business structure are the vital economic laws. Almost as much as the chief executive of a business, does the credit official need a thorough understanding of economic laws and the various forces contributing to the general business condition at any given time.

A depression in one section or one line of business reacts favorably or unfavorably on another section or another trade, group. The credit manager who may be forced to analyze the credit of either one or both groups in the case must understand the economic laws affecting the situation, interpret the trends indicated by current conditions, and correlate the interpretation with the general business picture.

Every credit executive should do, (or should have done), three things: First, study economics; second, study economics; third, study economics.

Is the organization of a company fundamentally sound and does it conform to the accepted principles of good business organization? To answer this question a knowledge of Business Organization is needed. Is the financial structure of a debtor firm sound? This cannot be answered without a knowledge of the principles of Corporation Finance. Are the company's administrative policies in accord with the scientific principles of business administration? The standard by which this question must be answered can be maintained only through a broad and current knowledge of Business Administration.

Select any phase of a business that you will—it contributes to, or detracts from, the credit rating of a

company. The credit executive cannot expect to fill his position successfully unless he makes it a rule of his business life to "know something about everything and everything about something."

## Principles of Salesmanship

If we consider the Sales Manager and the Credit Manager we find that the only essential difference in the educational requirements of the two is in the specific technical details of the two positions—one needs Credits and Collections and the other Sales Management, while *both should be saturated with the principles of salesmanship.*

Every company would be greatly strengthened if its Sales Manager were required to take a course in Credits and Collections, or became familiar in some way, with the mechanics of the Credit Manager's job, and the Credit Manager in turn should have an equal understanding of the Sales Manager's problems. This wearing of each other's shoes would enable the sales and credit managers to keep in step in promoting and building their company's business.

The Credit Manager in the bank is a fact-finder. He does not pass upon a loan, but gathers the facts and passes them on to the loaning officer for the final responsibility in making the loan. The Credit Manager in the commercial organization analyzes the facts as he finds and studies them and has the responsibility of passing upon a company's credit.

The making of loans is the business of the bank and is one of the financial institution's most important responsibilities. In the commercial organizations, however, sales are the principal objective of the business, with the credit department organized as a more or less necessary check against some of the undesirable buyers with whom the sales force or program must contend.

The salesman who increases volume of sales \$100,000 is generally looked upon as a far more valuable asset to a company than is the Credit Manager who saves his company \$100,000 through prohibiting sales to undesirable debtors.

The big problem before the credit executive is not only to increase the prestige of his position through growth in business education but to educate the chief executive of his

company to the necessity and importance of the Credit Department.

The credit job is only as big as the man makes it. Banking positions increased in prestige and importance with the founding and growth of the American Institute of Banking. The rank and file of bank employees professionalized and capitalized their opportunities through education.

The credit manager and his assistants must do the same.

There is need for men to whom education has been a leading out process, men who have had to get their education in a way that makes the getting count.

The man who has inculcated the fundamental principles back of an educational training is the man who will answer "yes" when this question is put to him: "Are you a Melzi or a Dandolo?"

## All in the Same Boat

(Continued from page 26)

dent Jesse Phillips, of the Great American Indemnity Company, who was the other speaker, and I had a very busy time of it answering the questions which were hurled at us after we had made our respective addresses.

The night I talked to the New York Credit Men's Association I brought up a coverage which is known in the insurance business as Use and Occupancy. Personally, I think that Use and Occupancy is just as vital to the merchant or manufacturer—and therefore to the Credit Manager—as is fire insurance. What this particular form of insurance does is to put the concern back in the same position as to earnings that it would have been in had no fire occurred. That fixed overhead or those charges which would not stop—such as the salaries of the officers of the concern and interest on bank loans, as well as profits, would be paid by the insurance company, provided, of course, that such overhead and profits were current at the time of the fire. Often the loss from the stoppage of the business is a more serious financial damage than the actual property loss.

It does seem to me that insurance protection is so linked up with continuing solvency of the customer that it is part of the duty and responsibility of the Credit Manager to give real thought to this whole subject of insurance.



## INSURANCE IN INDUSTRY

**G**IANT steel girders swinging aloft—red hot rivets tossed about—staccato hammering of riveters—and the structural framework of a giant building rises floor upon floor.

Even before the foundation is laid, Insurance is co-operating with the builders, checking plans, recommending possible changes to obtain for the finished structure the lowest insurance rate. And as the building rises, Insurance safeguards constantly against loss from fire and other threatening hazards.

Builders believe in insurance; they know the necessity for it. They know too that insurance, like the skeleton of the skyscraper, must be of the strongest. That is why policies in the "America Fore" Fire Insurance Companies listed below, meet with such nationwide approval.

**AMERICAN EAGLE FIDELITY-PHENIX**  
**The CONTINENTAL FIRST AMERICAN**  
**FIRE INSURANCE COMPANIES**  
*Eighty Maiden Lane, New York, N.Y.*

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"AMERICA FORE"

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### Bankrupt Keeps Promise

**A**N Associated Press dispatch from Columbus, Ohio, tells of a promise made 18 years ago kept by Joseph Thal of Dayton. In 1911, when creditors of the Harvard Clothing Company, which he operated there, forced him into bankruptcy, he promised that he would pay every dollar due if he ever attained appreciable prosperity. At that time they received thirteen and one-half cents on the dollar. Last month they received checks for the balance in letters from Thal reminding them of his promise.

### Insurance Collection Letters

**A**SERIES of three collection letters, tried and found effective, are printed by Ray C. Dreher, in *The Accelerator*, the publication of the Boston Insurance Co. and the Old Colony Insurance Co. They are sent 30, 45 and 60 days after a premium account has become due.

Mr. Dreher declares that the most important thing to remember is not to start anything you don't finish—if you *threaten* to cancel if payment is not made on a certain date, *cancel*.

## FAILURES in 1928 Reach New High Level!

There were 23,842 commercial failures in 1928. This is 3 per cent more than in 1927, and is the largest number the country has ever had, exceeding the previous peak year of 1922!

Don't take a chance on contributing to the 1929 losses. Protect yourself against them, *now*, with

### American Credit Insurance

This broad, tried-and-proved service will give you complete protection—every hour and every minute—against every kind of abnormal, unexpected bad debt loss.

Credit Managers, remember that we are the pioneers and leaders in credit insurance. Let us show you how our more than 30 years of successful experience will benefit *you*.

**The AMERICAN  
CREDIT-INDemnITY Co.**  
OF NEW YORK J. F. McFADDEN, PRESIDENT

Offices in All Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,  
San Francisco, Philadelphia, Baltimore, Detroit,  
Atlanta, Milwaukee, etc.

In Canada—Toronto, Montreal, etc.

NR 384

### One!

Dear Sir:

Going over our books, we find that you have not paid the premium of \$..... as noted on the duplicate bill enclosed.

You bought the policy for the protection it offered. You expect and rightfully so, that any loss you may have covered by this policy will be settled promptly. That being the case, it is no more than right that you pay us promptly so that we, in turn, can pay the company promptly?

This letter is a reminder. Most of us forget these matters once in a while, and it merely needs just a reminder to call your attention to it.

Now, won't you, while you're thinking about it, write a check, put it in the enclosed stamped envelope and mail it to-day? Thank you.

### Two!

Dear Sir:

About two weeks ago we wrote and reminded you of the unpaid premium of \$..... due us for insurance on your ..... So far, we have had no answer from you.

In the extension of credit to you, we believed that you would pay this premium when due and we are disappointed that we have neither received your check nor heard from you.

Here is the situation: The companies we represent limit the time in which we, as their agents, have to pay them for the insurance we write. A company that did not follow such a course would not warrant your business, because if losses are to be paid promptly and justly the premiums for insurance written must be collected promptly.

Now, if we are to pay the company in which your policy is written we must have your check. That's fair. Won't you arrange to send it today?

### Three—and Out!

Dear Sir:

So far as we can judge, you do not appreciate the extension of credit given to you. We have written you twice regarding the premium of \$..... for ..... insurance, which is now long past due.

In our last letter we explained why the company writing the policy must be paid promptly. Now, it is not unlikely that they will notify us to cancel the policy. No company can carry insurance without receiving payment for it.

Cancellation of your policy would be, indeed, unfortunate. You would be without the protection you know you really need. No one can predict losses. Compare the amount of the premium with your loss if you had no insurance. The comparison will appall you!

If you have a reason why it is impossible for you to pay this premium at this time, please call at our office today and tell us about it. We are human. If neglect is your excuse, don't let it lead you to financial loss by causing your policy to be cancelled. Make sure that you put your check in the mail at once.

### The Credit Manager's Job

An anonymous Pennsylvania correspondent of the CREDIT MONTHLY writes: "The Credit Manager's job is like that of the storekeeper in a munitions dump. The customers, the salesmen, and the managers each represent a different kind of high powered bomb and unless handled correctly they will explode."





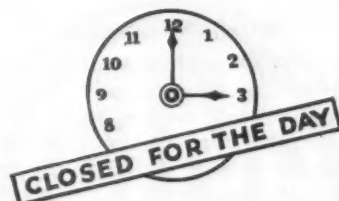
"I'M surprised, Bill, to see **you** have gone in for monkey philosophy," remarked the Advertising Manager as he pointed to a bit of sculpture on the Credit Manager's desk representing three monkeys, one "speaking no evil," another "seeing no evil," and the third "hearing no evil."

"Why not, Jerry?" asked the Credit Manager, in as cheerful a tone as that of his visitor.

"Because you spend a great part of your time seeing evil in the financial statements of our customers,—and hearing all the evil things about them that you can get any bureau or individual to tell you,—and speaking evil of them to other credit men who are also looking for evil."

"If you knew more about this Credit Department, (and I've often told you it's wide open to you any day,) you would know that I see and hear and speak **good** just as much as evil. But the reason I put those monkeys on my desk," the Credit Manager continued, with a smile, "is that I do my best to **see no evil** when I find one of our advertisements intended for the farm papers shining from the pages of a hardware trade journal,—and I try to **hear no evil** when someone insists on telling me you paid a price and a half for our beautiful 1929 calendar,—and I want to **speak no evil** when the Sales Manager tries to find out from me how many afternoons a week you devote to golf."

R. G.



## Does your Company close for the day at 3?

It might as well, if stenographers are so jammed with work they can't possibly take more dictation after 3 o'clock.

The Ediphone is never overloaded; it can't say, "I haven't the time" and works anywhere, anytime.

Your company owes every dictator instant service. The Ediphone provides it.

Let us prove this at your desk. Telephone "The Ediphone," your City, and ask for the book "An Easy Way to Chart Your Correspondence."

Ask for Travel Service

THOMAS A. EDISON, Inc.  
ORANGE, N. J.



**Ediphone**  
Edison's New Dictating Machine  
World-Wide Service in all principal cities  
LONDON OFFICE:  
Versen Place, Southampton Row

Radio Program Monday Evenings

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### Sorting Potatoes

**S**ORTING potatoes, sorting bank deposit accounts, and sorting credit accounts require similar discrimination, according to Executive Manager Stephen I. Miller, in his April Monthly Letter to the N. A. C. M. Dr. Miller writes also on the problem of the direct credit inquiry and on charging interest on past-due accounts.

The Monthly Letter contains the usual business survey and the description of general collection conditions.

### Wheeling Conference

**T**HE Wheeling Association of Credit Men will entertain the West Virginia Associations at their annual Conference on April 10. An elaborate program with special features of entertainment of interest and benefit to all credit managers, has been prepared.

Executive Manager Stephen I. Miller and E. Paul Phillips of the N. A. C. M. and Alexander Wall, Secretary of the Robert Morris Associates will be on the program.



### Over \$45,000,000 Unclaimed

ON JUNE 30, 1928, there were still outstanding more than \$45,000,000 of United States Government securities which had matured. On these, all payments of interest have been discontinued—in some cases for over a century.

Investments must be watched constantly to guard against loss of income or principal. As custodian of securities the Irving Trust Company keeps a careful check on maturity dates and makes every effort to keep customers advised of conversion privileges, subscription rights on new issues and other matters affecting the interests of the owner. It collects interest, dividends and other items of income. It buys, sells or exchanges securities as instructed. It is responsible for their safe keeping.

The Irving, through its Custodies Service, relieves individuals and corporations of the detail work necessary in taking care of their investments.

### IRVING TRUST COMPANY

Out-of-Town Office—Woolworth Building

*New York*



**D**R. REGIUS PATOFF, Professor of Triviology at the University of Rien, on hearing that the CREDIT MONTHLY was sending to credit executives a questionnaire on physical fitness has supplied the following health rules which he dedicates to the Credit fraternity. He offers the health slogan, "Open Windows and Pores!"

#### Climbing

1. In choosing office space for the Credit Department, never locate below the fifth floor and avoid using the elevator.

#### Trunk Exercises

2. In okaying orders, the pen should be grasped with the right hand and the inkstand placed on the floor four feet from the right hand side of your desk. Before okaying the order, lean sideways, reach out, dip the pen in the ink, return to the seated position and place the O. K. on the order. This is excellent for the muscles of the trunk. It should be varied by placing the inkstand at the left side of the writer.

#### Rising on Toes

3. When any caller enters your office, get up from your chair smartly and assume an erect position, rising on the toes and returning to the original position during the conversation.

#### Deep Breathing

4. Inhale deeply while reading each item of the incoming mail of the Credit Department and hold the breath until the entire letter is read. Then exhale slowly.

#### Pulling and Pushing

5. When the drawers of your desk jam, never call in a carpenter, but profit by the exercise involved in opening and closing the drawers.

#### Walking

6. At breakfast and lunch take plenty of salt with your food, and place the department water-cooler at a considerable distance from your desk. Beside irrigating the system, this adds considerably to the daily walking mileage.

## Observed in Italy

By S. A. Commons

Treasurer, Buhl Malleable Co., Detroit

ITALIAN credit practices correspond to American, as do the credit practices of any country, in that they have the same objective: to determine an applicant's credit entitlement.

There is a vast difference in detail and it seems to turn on the treatment of financial statements. In Italy, such statements are required of limited liability companies, corresponding to our corporations, but no penalty attaches for submitting statements that may be materially influenced by individual judgment of values. It very naturally follows that statements made under such conditions reflect the applicant's idea of his own best interests. Due to taxation considerations it may thus easily be the case that value of assets is understated, rather than the contrary. But whether they are or not, the statement, even after the customary analysis of its face value, does not carry the weight that it does in the United States. No authority of credit exists on the part of the Government; and the private Credit Manager must largely depend on his own research to arrive at the correct figures. The status, then, of the financial statement from limited liability companies, who are required to file them, is that it provides a convenient point of departure to determine credit entitlement; from other business organizations a financial statement is not the customary procedure and is usually neither requested nor given.

### Sources of Information

Deprived of this evidence, more or less positive from an American standpoint, the Italian Credit Manager still has other sources of valuable information.

A considerable part of accounts payable are liquidated through the medium of acceptances; and if any of these is protested for non-payment, that fact is published after the manner of chattel mortgages and the like in Michigan. This information the Credit Manager incorporates in his files, and when he has occasion to refer thereto, finding no record of protest, he knows that none ever existed. If he does find such a record

it affords the occasion for further investigation. Obviously, the publishing of protests is valuable information.

### Characteristic Frankness

The character given a credit applicant by his competitors is considered by Credit Managers as highly reliable. The gift of willing, spontaneous, frank and vigorous speech which characterizes this people is relied on to set forth the unbiased truth. The Credit Manager of one of the largest banks in Genoa is authority for the character of dependability which attaches to information of this kind.

There are in Italy reporting and rating agencies similar to those in the United States, but for reasons attaching to financial statements, they do not carry the same authority. Their function is largely supplemented by information bureaus, whose business it is to collect all sorts of information bearing on credit entitlement, financial statements, protested acceptances, character reports, failures and anything else. This information is accepted by the credit grantor, or further checked by his own investigators. The Credit Manager above referred to has a staff of six field investigators, uses services of information bureaus, and feels that his files are complete and authentic.

There are no interchange bureaus. This feature of original information is quite remote from the Italian view. Nor are there trade organizations organized primarily for the gathering of credit information.

### Foreign Trade Convention

THE Foreign Trade Department of the National Association of Credit Men will co-operate as usual with National Foreign Trade Council, which is sponsoring the Sixteenth National Foreign Trade Convention, to be held this year in Baltimore, April 17-19.

There will be an informal session devoted to credit on April 17, at which the N. A. C. M. will be represented.



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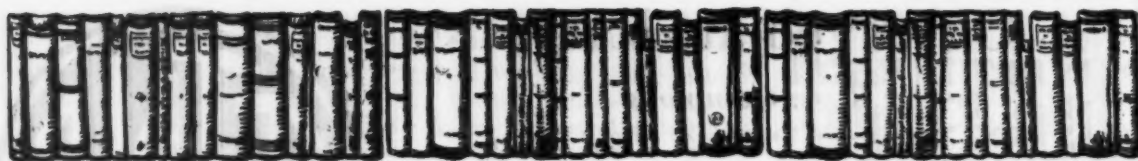
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# The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

## A Study in Industrial Economics

THE NEW WAY TO NET PROFITS. Fred W. Shibley. Harper & Brothers, N. Y., 1928. 213 pp. \$3.00.

This is the banker's view of planned and correlated production and distribution, introduced by a particularly illuminating foreword from the pen of one of the outstanding business forecasters of today,—Donaldson Brown of General Motors.

Mr. Shibley, who is a vice-president of the Bankers Trust Company of New York, has at least two advantages over the common or garden variety of writer on business forecasting. He views forecasting as a means to a useful end rather than an esoteric cult. And he has what most of the professional writers lack,—the ability to make his material interesting to the average reader.

The primary objects of industry, says Mr. Shibley, are the development, expansion and retention of consumer markets. The success of the great industrial and merchandising corporations which employ research and analysis in every department, which are tireless in their search for market knowledge, and which study distribution with the methodical and exact technique of the scientist, is confirmation of the wisdom of such procedure.

Just as that state is most prosperous, the author continues, whose several functions of social organization and government are co-ordinated by a wise executive policy, so is the industry most successful whose diverse units have been harmonized through the planning and forecasting of its operations along carefully thought-out lines.

Almost inevitably there comes to the executive responsible for such procedure the realization that his business is inextricably tied up with that of his fellow men. If he studies his markets, relates his merchandising procedure to market requirements, distributes his merchandise in the most effective and economical manner, forecasts anticipated income, plans his operations so as to balance produc-

tion with sales, and controls his operations as planned, he is bound to come to the conclusion that the prosperity of the nation is of the utmost importance to him, and that much more is to be gained by co-operation than by playing a lone hand.

Competition, Mr. Shibley concludes, is "the life of trade" only so far as it is fair and honest. It is good that men should strive and compete for success, just as it is good that wrestlers should compete fairly in a test of strength or runners in a test of speed. It is not good that a manufacturer or merchant should give a secret rebate to obtain business or sell merchandise below cost to ruin a competitor. The law denies business men the right to conspire together to influence prices to their special advantage. This is good ethics and sound common sense. The law should frown as severely upon the unjustifiable reduction of prices for the manifest purpose of destroying the profits of competitors.

Business men who resort to such practices are, in Mr. Shibley's opinion, enemies to their associates in trade, enemies to productive labor because they waste the products of labor, enemies to the suppliers of raw materials because they realize no profit from the employment of these materials, enemies of the stockholders who have invested in their enterprises because they employ their capital without gain, and, above all, they are enemies to the development and extension of consumer markets; for profit is the food upon which the permanent extension of business lives.

## Large Sales—Small Unit Profits

MAKING GOODS AND MAKING MONEY. Horace Taylor. The Macmillan Co., N. Y., 1928. 206 pp. \$2.50.

In this compact and readable volume Dr. Taylor attempts to interpret and balance two divergent economic theories. To Adam Smith the interests of the individual and of society appeared to be substantially identical. The individual, he believed, can make money best by

supplying goods or performing services which society most needs. Some of the moderns, (as, for example, Thorstein Veblen), maintain that their interests are different,—that the individual often makes money by withholding articles or services which the public wants.

Dr. Taylor comes to the conclusion that "it is becoming increasingly necessary in manufacturing industries to make goods in order to make money." And the best way of accomplishing this, he says, lies in the direction of large sales, with small profits per unit of manufacture. But the economic anomaly is, to some extent, with us still, and will continue to be as long as our chief economic institutions, private property and freedom of enterprise, are maintained.

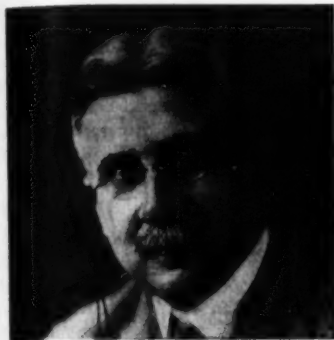
The very fact, says Dr. Taylor, that the exchange values of goods and services are derived from scarcity is enough to cause the conditions to persist. A striking paradox arises from the orthodox theory of value. Wealth, according to this theory, consists of a stock or store of valuable things, and the scarcer a thing is the more valuable it is. From this we may conclude that a smaller stock or store of valuable things may constitute greater aggregate wealth than a larger one. It not only may; it often does.

Professor H. L. Moore, in "Forecasting the Yield and Price of Cotton," shows that one class of producers (the growers of cotton) would be better off in some years if they could destroy a fourth or a third of their total product. Dr. Taylor also cites another case involving the same principle,—the recent efforts of the government of Cuba to restrict the sugar output.

This paradoxical situation leads Dr. Taylor to wonder which is the more important, goods themselves or the power of one kind of commodity or service to exchange for another kind. His answer is that to an all-embracing society the

(Continued on page 42)

## A Committee to Study Bankruptcy Procedure



RICHARD T. BADEN

A COMMITTEE of credit executives and attorneys has been appointed by President Rock of the National Association of Credit Men to study bankruptcy procedure and to make recommendations for improving bankruptcy administration. It will consider the need for changes in the National Bankruptcy Act if amendments are deemed desirable in the light of existing conditions.

The committee will make a thorough study of the National Bankruptcy Act and its administration from the points of view of both the lawyer and the business man, and will endeavor to work out a constructive policy for bankruptcy reform.

It is expected that the findings of the committee will be presented for formal consideration by the N. A. C. M. at its annual convention in Minneapolis, June 24-28.

The members of the committee are Past President Richard T. Baden, of Baltimore, chairman; H. P. Reader, New York; John E. Norvell, Philadelphia; Curtis R. Burnett, Newark; Ernest I. Kilcup, Providence; L. I. MacQueen, Pittsburgh; and Sylvan Hayes Lauchheimer, Baltimore.

Ex-officio members are Executive Manager Stephen I. Miller, Maxwell S. Mattuck, counsel for the N. A. C. M. Credit Protection Department, Eastern Division; E. Paul Phillips; manager of the Adjustment Bureaus Department of the Association, and W. Randolph Montgomery, of counsel for the Association.

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# Answers to Credit Questions

National Association of Credit Men

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### As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

### Disaffirmance of Contract by an Infant

Q. What is the Massachusetts law in reference to the disaffirmance of a contract by an infant?

A. In most jurisdictions an infant has the right to avoid on the ground of his infancy, his personal contract or contracts relating to personalty during his minority and this rule has been held to apply generally to all contracts whether executory or executed. While there are some authorities to the contrary, the general rule except as it may be provided by statute, is that in order to give effect to an infant's disaffirmance of his contract it is not necessary that the other party should be placed in statu quo. There are many cases in Massachusetts upholding this doctrine; a few of them are, *Smith vs. Equitable Co-op. Bank*, 219 Mass. 382, *Benson vs. Tucker* 212 Mass. 60, *Simpson vs. Prudential* 184 Mass. 348. However, after disaffirmances of his contract by an infant, the adult party may recover what he has parted with, if the consideration is still in the hands of the infant. See *Walsh vs. Young* 110 Mass. 396, *Chandler vs. Simmons* 97 Mass. 508, *Badger vs. Phinney* 15 Mass. 359.

Thus it will be possible to recover what goods the infant still has in his possession although the avoidance of the contract cannot be prevented.

### Assignment of Wages in Pennsylvania

Q. Please advise where an assignment of wages is valid in Pennsylvania?

A. Unless it is forbidden by statute a valid assignment may be made of the future wages or salary of a private individual under an existing contract of employment. For cases upholding this doctrine in Pennsylvania, see *Berresford vs. Susquannah Coal Co.* 24 Pa. Co. 537 and *McManman vs. Hanover Coal Co.* 6 Kulp. 181. In many jurisdictions statutes have been enacted prohibiting and declaring void all assignments of future wages, except such as fall within the exceptions and conditions named in such statutes. We do not find any such statute existing in Pennsylvania.

### Judgments—Illinois

Q. We desire to know whether a judgment in Illinois has to be revived in seven years to be kept good.

A. Chapter 83, Section 27 Cahill's Illinois Revised Statutes, 1927, states that judgments in any Court of Record in this State may be revived by scire facias or an action of debt may be brought thereon within twenty years next after date of such judgment and not thereafter. Chapter 77, Section 6 of Cahill's Illinois Revised Statute, 1927, states that no execution shall issue upon any judgment after the expiration of seven years from the time the same becomes a lien except upon the revival of the same by scire facias.

From these statutes it will be seen that a judgment is good for twenty years in Illinois but that if it is desired to issue an execution and levy upon the judgment after the expiration of seven years, it is necessary to proceed by getting a writ of scire facias which is the writ used in reviving a judgment.

### Real Estate Titles

Q. The owner of a deed covering a piece of property which is not recorded turns that deed over to his bank to be held in escrow as security for merchandise sold to the owner of the deed in addition to a chattel mortgage and note on the merchandise.

Can the owner or any of his friends, through his assistance, obtain another deed and have it recorded which would entitle the owner of the recorded deed



the right to the property, thus making the deed not being recorded and held in the bank as worthless?

Can the party for which the deed is being held in the bank bring suit against the party obtaining another deed and get possession of the property by proving that the other deed was given with the intent to defraud?

A. Title to real estate can only be legally transferred by the recording of an instrument of conveyance. Where a deed has been given, but is kept off record, and subsequently another deed is given by the same grantor, the recording of the second deed prior to the first deed will establish record title in the grantee whose deed is actually recorded.

If, however, the grantor has contracted with the first grantee that he will not convey the property to anyone else, he may be liable in damages for breach of his agreement.

If the grantee in the second conveyance had knowledge of the agreement between the grantor and the first grantee, the second conveyance will be subject to attack on the part of the first grantee. If there was a conspiracy on the part of the grantor and second grantee to defraud the first grantee, unquestionably an action would lie.

### Bankruptcy Law

**Q.** Is it a fact that in a recent decision of the United States Supreme Court it was held that the National Bankruptcy Act had superseded and made invalid the state insolvency acts?

**A.** Without reference to the specific decision, we cannot make intelligent comment with respect to it. However, the following may be of value.

The present system of bankruptcy which Congress enacted in 1898 does not pretend to cover the whole field of either voluntary or involuntary bankruptcy and insolvency. *Singer vs. National Bedstead Mfg. Co.*, 65 N. J. Eq. 290. So the principle is well settled, that when a debtor has not been proceeded against, and has taken no proceedings himself in bankruptcy, an assignment by him for the benefit of creditors, which gives no preference to any creditor, is not an instrument void per se as in hostility to the Bankruptcy Act. *Mayer vs. Hellman*, 91 U. S. 496, *Boese vs. King*, 78 N. Y. 471, affirmed by 108 U. S. 379. In the case of *Mayer vs. Hellman*, it was held that: "The object and purpose of the Bankruptcy Act was to provide a system by which the property of an insolvent could be appropriated and applied to the payment of his debts in equal and just proportions. The theory on which the Bankruptcy Act is based is that no preferences shall be allowed; that every creditor shall be entitled to his pro rata share of the bankrupt's estate, and thus fraud prevented in the distribution of his

assets. When, therefore, an assignment is made for the benefit of all the creditors equally in good faith, without fraud, or any intent to contravene any provisions of the law, or to hinder, delay or defraud creditors, it is not apparent how such an assignment can be considered as a violation of the spirit and intention of the Bankruptcy Act."

In *Boese vs. King*, it was held that: "The legal presumption is, not that the assignor executed the instrument in ignorance of the law, but that knowing the law, and knowing that he would not be discharged, and desiring simply to secure an equal distribution of his property and to prevent any creditor from obtaining an un-

just preference, he elected to effect this end by means of a voluntary assignment, by which his property would be distributed by an assignee of his own selection, under the state law, rather than to have it administered by a court of bankruptcy. That he has the right so to do, has been adjudged both by this court and by the Supreme Court of the United States."

It was held in the early case of *Ogden vs. Saunders*, 12 Wheat. 213, that a state has power to establish an insolvency law which does not impair the obligation of contracts, within the meaning of the Federal Constitution, and is not in conflict with an act of Congress establishing a uniform system.

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## The Man in Management

(Continued from page 8)

positions when their grip on the reins loosens. The modern organization, to be successful, cannot tolerate such attitudes.

"Every business should stress continually as we do the training of younger executives. It stimulates effort, generates enthusiasm, defines distinct objectives for each man and compels each executive to measure up to the standards and requirements of his job. If you can inject an *esprit de corps* of that kind in any organization and if the other fundamentals of the business are generally sound an outstanding success is inevitable."

There is one epidemic that has never swept, and probably never will sweep the world—that is an epidemic of enthusiasm. Enthusiasm is endemic in the Chrysler organization and after listening to Mr. Chrysler for five minutes I could understand where an epidemic of enthusiasm might originate. His quick, forceful words with so much of himself behind them, punctuated here and there with an exclamatory, apostrophic or interrogative gesture, charge the air with enthusiasm. Walter Chrysler knows what he means and you get his meaning, vivified by the kind of enthusiasm that counts—putting himself behind what he says and does.

"How do you co-ordinate the management functions of your various executives to get the highest degree of operating efficiency?" was my next question.

"For five years we have been building a staff of men who are experts in automobile engineering, manufacturing, metallurgy, production, finance, purchases, sales, transportation. Five men constitute the operating executive committee of the corporation, passing upon all current questions subject to the president's approval. The balanced nature of the group responsible for the direction of the company is indicated by the fact that two of them are in direct charge of purchasing and manufacturing, and one each of finance, of sales and of engineering. The men making up the operating executive committee are experts in their particular lines, as well as possessing the ability to do general co-ordinative executive work. With such a combination any organization can expect the highest degree of executive efficiency.

"Under each of these men we have training and working the younger executives that I have told you about. We carry this scheme down through the entire organization animating each man with the creative spirit that he is an indispensable part of an organization that is always seeking to build something new and something better."

At this point I began to realize why several officials of the Chrysler organization had given as the biggest reason for their company's success—"creative leadership."

"You have already brought out several important qualifications that an executive should have", I stated, "and I would now like to have you tell me your idea of what a chief—or a super-executive should be. In other words, what attributes would you select as giving executive 'it' to a man?"

### Division of Labor

"The need for executives is a direct result of the division of labor", Mr. Chrysler said. "Whenever you have an undertaking that requires a great amount of detail and numerous phases of specialization you have an imperative economic need for an executive.

"I believe one gets a clear conception of what a chief executive should be by comparing him to an architect.

"In the creation and erection of a building it is certain that an architect cannot give personal attention to all of the operations nor is he expected to be familiar with all the cumulative details and processes. It is certain, however, that he must be the main creative force and must have central control.

"There is only one way in which this creative force and central control can lead to the completion of the created plans—that is by selecting men who are capable of working together in carrying out his ideas and of giving ideas of their own.

"This working together is the result of co-ordination and requires that the men who are working together understand and share one another's aims and viewpoints. The architect's vision of the building sees all the parts in relation to one another and also each part in relation to the general scheme. With this vision he co-ordinates the many functions and sees that the plans are executed.

"The position of the business executive is comparatively the same.

He must vision the entire organization as an architect visions a building—and see all the functions in relation to one another and each function in its proper relation to the general business scheme.

"The architect gets the broader vision across to each craftsman so he will realize that his own work is not a thing in itself but a contribution to the harmony of the completed building. Neither does the architect generally seek to guide the craftsman in the details of construction or design. Ample opportunity is given for individual interpretation on each piece of work, but always with the guiding thought that it must harmonize with the completed building.

"The chief executive works with his staff and his employees as the architect with his craftsmen and constructors. The vision of the chief executive is the rudder guiding the co-ordination and collaboration of the multiple functions of an organization. The chief executive who interprets his position in such a way cannot fail his economic obligation."

Although Chrysler bought the Dodge interests outright, and it was not a merger or a consolidation in the proper sense, I asked Mr. Chrysler why he had purchased Dodge in order to get his conception of the basic principles underlying the huge, present day combinations.

"On practically every Chrysler advertisement", he said, "you will read this paragraph:

*A great group of cars covering all markets, all branches on the same tree, growing out of the root principle of Chrysler standardized quality.*

"The Dodge purchase was the grafting of another branch on the organization tree of what is now Chrysler Motors. There are two reasons why we bought Dodge. First, we had to expand, and this purchase offered us the opportunity for expansion and growth, second; by buying Dodge we obtained the finest dealer organization in the automobile industry, with such an organization needed to take care of the tremendous demands of our sales and distribution growth.

"The combination of several property units into Chrysler Motors appears to follow the usual trend of motor and industrial consolidations and mergers, with the economic advantages gained in the application of unified management to a great group of properties, but there is a unique and

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distinct utilization of advantages in our organization that have not been generally realized in other motor and industrial combinations.

"We have a combination of units—each designed for its own particular market issuing from one immense group of plants, all sharing alike in the advantages which accrue from combined engineering, purchasing, manufacturing and financing, co-ordinated under one executive authority.

"A new engineering building with its extensive and finely equipped research laboratories is as much the source of creation for Dodge products as for Chrysler, De Soto, Plymouth and Fargo cars—for every product that issues from the various Chrysler units.

"Economies in consolidations have too often been theoretical. In this organization they are actual because they are founded on these basic practices—the testing and selection of all metals and machinery with precision machinery; speediest manufacturing conversion methods attainable—as raw material shipped into the plant in the morning moves out as a finished product in the afternoon; maximum turnover—our turnover in all plants averages between sixteen and eighteen times a year; and the establishment and maintenance of a uniformly high standard of quality manufacturing for all cars alike.

"After all the test as to whether a consolidation is economically sound is the contribution of additional values to the buyer. The degree of benefit which the buyer derives from the joint operation of any group of industrial properties is in direct ratio to the extent to which these *properties are able to help one another*. The consolidation that does not meet this test is not basically sound."

The instalment system, Mr. Chrysler believes, is one of the major factors contributing not alone to the amazing growth of the automobile industry, but to the general and stable prosperity of this country. People have been enabled to purchase cars on the basis of their future earnings and still have a valuable investment when the instalments are completed. Instalment buying, he asserts,

(Continued on page 45)

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## The Business Library

(Continued from page 36)

goods themselves are more important, while to each individual the power in exchange of whatever he has to sell is more important. There can be no complete correspondence.

In concluding this stimulating study, Dr. Taylor takes pains to inform the reader that he is describing processes and not reporting progress. He sees little essential correspondence between wealth and welfare. The customs of the industrial Middle Ages still operate among us, he believes, to a certain extent. Our besetting passion is for "production—at any cost." And a glorification of production, whether intentional or not, may cast a shadow over other equally important human interests. If man is condemned to eat bread in the sweat of his face it is not enough merely to give him more bread; it must also be better bread and there must be opportunity for a keener appreciation of it.

Dr. Taylor's reputation as an economist is secure. It is to be hoped that captious critics do not attack him and attempt to belittle his work because he happens to be also a humanitarian.

## Our Economic Diplomacy

ECONOMIC FOREIGN POLICY OF THE  
UNITED STATES. Benjamin H. Williams.  
McGraw-Hill Book Co., Inc., N. Y., 1929. 426  
pp. \$4.00.

American diplomacy, says Dr. Williams, who is associate professor of political science at the University of Pittsburgh, has undergone a pronounced change. We used to be a retiring, idealistic nation. We are now a bustling industrial creditor. And in this changed diplomatic outlook there are certain influences that make for peace and certain others that may cause international trouble.

We have been plunged, the author says, suddenly into wholesale participation in the economic affairs of the world. Vast forces now assert their place in American life and press for expression through the channels of diplomacy. The new phenomena should be carefully studied, since their importance in the future of western civilization is self-evident. The author is therefore entitled to our thanks for his courage in attempting to assemble, from a literature that is full of partisan criticism and official defense, an objective account of the economic foreign policies of the United States.

Following an introductory chapter on "The Place of the Economic Motive," the material is divided into two parts, dealing respectively with "The Diplomacy of Investment" and "The Diplomacy of Commerce." In Part I Dr. Williams states the general principles of investment diplomacy, shows how political encouragement is given to capital

exports, and discusses such problems as capital embargoes, the protection of American investments abroad, the due process doctrine, the practice of armed protection, various forms of financial supervision, and the collection of the interallied debts.

In Part II he deals with the historical aspects of commercial diplomacy, bargaining tariff laws and reciprocity agreements, the "most favored nation" clause, the open and closed door, shipping policies, the industrial and military importance of raw materials and the economic diplomacy of the future.

Our economic diplomacy, Dr. Williams believes, is in its infancy. The giant industrial and commercial forces that have recently been unleashed have yet to find their full manifestation in governmental policies. The agencies which are to compel their translation into politics are, however, energetically at work. The American business man has reached a place in the sun. The banking, trading and manufacturing classes, which in other periods of history have been despised and repressed, have now risen to a position comparable to that held by the mandarins of Manchu China, the landed aristocracy of the feudal period, the clergy of Puritan New England, or the military caste of imperial Germany.

The business groups, the author concludes, are the most intelligently class conscious elements in American society. From Boston to Los Angeles and from Seattle to Miami, chambers of commerce, luncheon clubs, boards of directors and trade journals give thought to the service which government can render in the promotion of industry, commerce and finance. Wealth and talent are at their command. They are inspired by an irrepressible enthusiasm and a dogmatic self-righteousness.

Can any one doubt, Dr. Williams asks, that as the decades of the twentieth century pass by, their influence in the molding of policies will be powerfully exerted? Answering his own question, he asserts that this is inevitable. It is right that in a system of representative government their voice should be heard. But such influences should be given weight only in so far as they are in line with the dictates of wise statesmanship, taking into consideration the interests of the whole nation, today and tomorrow.

## A Wise Maxim

**JOHN HARSEN RHOADES**  
J may have been thinking of members of professional and business associations when he wrote in his book "Random Thoughts of a Man at Fifty":

"Kindness to self means riches, service to others—prosperity."

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# Court Decisions and Washington Notes

Formerly Distributed as the *Vigilantia Bulletin* by the National Association of Credit Men

## Banking and Banks

### NOTES. USURY

The note sued on by defendants in error was payable five years after date with interest thereon at the rate of 10 per cent. per annum, interest payable semi-annually. It contained a stipulation giving the maker the privilege of paying same at the end of three years upon payment of a sum equal to three months' advance interest on the principal. The sole defense was usury. Held that neither the constitutional provision nor the statute defining usury contains any requirement that the maximum interest rate should be payable annually. The lender in this case had no right to require the payment of three months' advance interest. This was purely optional with the borrower. There being no right to demand payment, there was no forbearance, and without forbearance no usury. *DeVele et al. vs. Shacklett et al.* Sup. Ct. Texas. Decided January 23, 1929.

### INSOLVENCY. FRAUD. OFFICERS. CONSTITUTIONAL LAW

Constitutionality of a State Statute Creating a Presumption of Fraud on the Part of Bank Officers in Every Case of Insolvency of a Bank.

Appellant was convicted of a violation of Section 28 Article XX of the Georgia Banking Act which provided that every insolvency of a bank should be deemed fraudulent and the president and directors should be criminally punished therefore unless they repelled the presumption of fraud by showing that the affairs of the bank had been fairly and legally administered and generally with the same care and diligence that agents receiving a commission for their services are required and bound by law to observe. By statutory definition a bank was deemed to be insolvent when it could not meet its liabilities when due or when the actual cash value of its assets was insufficient to meet its liabilities or when its reserve should fall below the required amount and should not be made good within thirty days after the Superintendent of Banks required the bank to do so. The appellant challenged the validity of the Section of the Banking Act which resulted in his conviction on the ground that the presumption created by it was so unreasonable and arbitrary as to amount to a denial of due process of law in violation of the Fourteenth Amendment.

Held, for the appellant, the presumption created being unreasonable and arbitrary. The presumption did not rest upon any definite basis and did not reasonably specify the elements of the offense and the facts to be presumed were too uncertain and vague. *Manley vs. State of Georgia*, U. S. Supreme Court, Decided February 18, 1929.

### DEPOSITS. INSOLVENCY. PUBLIC CORPORATIONS. PREFERENCES

Whether a Municipal Corporation, as a Depositor, has a Preferred Claim against the Assets of an Insolvent Bank.

In March, 1927, the Farmers Bank and Trust Company of West Palm Beach, Florida, became insolvent and was taken in charge by the State Banking Department. At the time of this occurrence plaintiff, a

public corporation, was doing business with the Farmers Bank and Trust Company and had on deposit with it a large sum of money. An action was brought for the purpose of having the plaintiff decreed to be a preferred creditor of the insolvent bank, by virtue of its being a public corporation. A demurrer to plaintiff's bill was sustained and an appeal was taken. The sole question on appeal was whether or not a public corporation which is a current depositor in a bank can be made a preferred creditor and enjoy priority of payment from the assets of the bank when it becomes insolvent and passes into the hands of a receiver. Plaintiff grounded its claim for relief on the prerogative right of the crown under the common law to be preferred in the payment of its debts over general creditors of an insolvent.

Held, that the demurrer to the bill was properly sustained. In this country the decisions are divided on the question but the weight of authority seems to be that neither the state as such nor any of its agencies can be preferred in the payment of its simple contract debts over general creditors of an insolvent in the absence of express statutory authority therefore. There is no express statutory authorization in Florida authorizing a preference in favor of public corporations over general creditors. *Lake Worth Inlet Dist. vs. First American Bank and Trust Company*, Supreme Court of Florida. Decided February 13, 1929.

## Bankruptcy and Insolvency

### DISCHARGE OF BANKRUPT FROM BODY EXECUTION

Application under General Order XXX for discharge of the bankrupt, arrested and imprisoned upon a body execution issued upon a judgment in a civil action determined in the State Court. Held that in support of this application the bankrupt must show that the liability reduced to judgment upon which execution has been issued against his body is dischargeable in bankruptcy. Here the bankrupt asserts in an affidavit that the liability in question was for negligence in performing a surgical operation resulting in the death of his patient, and therefore dischargeable in bankruptcy. The judgment creditor appearing in opposition shows by his affidavit and by a copy of the bankrupt's brief submitted in support of a motion to set aside the verdict upon which the judgment was entered, that this verdict was based upon a finding that death resulted from an illegal abortion performed by bankrupt, and that the verdict was not based upon a finding of negligence. Where a criminal act, the performance of which involves intentional wrong doing, results in bodily injury to another, there can be no doubt that the resulting liability is for wilful and malicious injury to the person of another within meaning of Sec. 17-a, Bankruptcy Act, and is therefore not dischargeable in bankruptcy. Writ dismissed, but without prejudice to renewal of the application. *In Re Nye*, U. S. Dist. Ct. So. Dist., N. Y. Decided February 5, 1929.

### CHECKS

Held that where a check is certified by a bank, funds of the drawer are, in legal contemplation, withdrawn from his credit

and appropriated to payment of check. The bank thereupon becomes the debtor of the holder and is absolutely liable for payment of check when presented. Where a party deposits in a bank in his own name funds in which third parties are interested, and bank has neither actual knowledge nor notice of facts sufficient to put it upon inquiry as to the true character of deposit, it may apply such deposit to the individual debt of depositor. *Clay County Bk. vs. First Nat. Bk. Sup. Ct., Ark.*

## ASSIGNMENTS

This controversy presents a question whether the execution and delivery of a certain trust instrument by the alleged bankrupt constitutes an act of bankruptcy in (a) that it is a general assignment for the benefit of creditors, or, (b) that the effect of it is to hinder, delay and defraud creditors. In the main, the instrument answers all tests that have been applied in order to determine whether a given instrument is a general assignment within the statute. It is a grant to trustees absolute on its face; it contains no defeasance clause; it is for the benefit of creditors. It conveys substantially all of the assets of the alleged bankrupt; it contains power to sell and convey property and to distribute proceeds among creditors. Having concluded that the trust instrument herein referred to is a general assignment for the benefit of creditors, its execution and delivery constituted an act of bankruptcy. Order may be entered adjudicating the respondent a bankrupt. *In re Saxter*. U. S. Dist. Ct. East. Dist. Mich. So. Div.

## SALES

C. I. F. Contracts. Damages. Obligation of Seller Under a C. I. F. Contract. When a Tender of Goods Must Be Made to Effect Rescission of a Sale.

The defendant in this action had entered into a contract to sell to the assignor of the plaintiff twenty tons of carbolic acid crystals, the goods to be shipped from New York C. I. F. Kobe, Japan. A letter of credit was to be established in San Francisco, to be drawn against by sight drafts with shipping documents attached. The letter of credit was extended, due to several delays in shipment, but the buyer was informed that the goods were to be forwarded on the S. S. "Oanfa" scheduled to leave New York about April 10, 1920. On April 20th, the buyer through the San Francisco bank which had issued the letter of credit, accepted a bill of lading, insurance contract, invoice and draft and paid to the seller the sum called for, and no objection was offered. The "Oanfa" did not sail until June 3rd, but even then the goods were not shipped on board that steamer. The buyer requested the seller to cancel the contract, but in spite of this request, the goods were sent by the steamship company on board the Steamer "Telemachus". It was agreed that the bill of lading covering the goods was in proper form and was a "received for transportation" bill, which is customarily issued and used in compliance with C. I. F. contracts. The buyer assigned its claim to the plaintiff and an action was brought to recover the sum paid under the letter

of credit against the shipping documents on the ground that the seller breached its contract which was to make an April shipment, and that the goods were to be shipped on the "Oanfa". However, no tender of the goods was made.

Held, for the defendant. Under a C. I. F. contract the obligation of the seller is to deliver documents rather than goods. The seller performs his contract by tendering the documents, and no obligation is on him to deliver the goods at the place of destination. There is no question but what in this case the seller shipped the goods and the shipping documents were accepted by the buyer's agent without objection, and no breach on the buyer's part was proved. Held further, that in the absence of a tender of the goods by the plaintiff, plaintiff would be unable to prove damage or loss. In order to effect rescission there must be an offer of restoration to the status quo of the parties. *Macondray & Co. vs. W. R. Grace & Co. U. S. Circuit Court of Appeals, 9th Circuit.*

\* \* \*

#### NOTES. DISCOUNTS

A note upon which some of the endorsements were forged was discounted by plaintiff and placed to credit of defendant corporation, which amount was afterward withdrawn by several checks. The withdrawals were made by checks evidently forged. Held, that a bank giving credit for the amount of a note is not a holder in due course when such credit is not absorbed by antecedent indebtedness or exhausted by subsequent withdrawals. The withdrawals here were by forged checks. Plaintiff accordingly was not a holder in due course and any charges against the account were improperly made. *Hightstown Trust Co. vs. American Equity Corp. Mercer Co. Cir. Ct., N. J.*

\* \* \*

#### CHECKS

The acceptance of a check by a creditor as a medium of payment implies an undertaking on his part of due diligence in presenting it for payment and, if a loss occurs through lack of such diligence, the loss falls on such creditor and not on the debtor. *Martin Lbr. Co. vs. Rice, Sup. Ct., Okla. Decided February 5, 1929.*

\* \* \*

#### WASHINGTON NOTES

*These notes are supplied by George C. Shinn, Wilkins Building, Washington, D. C., representative of the National Association of Credit Men at the Capital.*

#### Federal Trade Commission Report

"Domestic Commerce", a publication issued by the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce, recently published the substance of the preliminary report of the Federal Trade Commission to Congress on the subject of Resale Price Maintenance. "The report submitted covers the first two of the three divisions of the inquiry, namely, an examination of existing law and public policy with regard to resale price maintenance, and an analysis of data regarding the experience and the opinions on the subject of various interested classes, with indications of the reasons and motives for various practices relating to this question."

"The consensus of opinion appeared to be about evenly divided. The majority of consumers, chain stores, and department stores expressing opinions were opposed to

resale price maintenance, while for the most part, other retailers, wholesalers and manufacturers, particularly those making trade-marked goods, favored it. Definite conclusions are not drawn, pending the completion of the inquiry, but the arguments for and against resale price maintenance and its legal status in this country are summarized."

"The third aspect of the inquiry will relate to the development and analysis of pertinent facts of a quantitative or statistical nature, based on actual business results dealing in trade-marked or otherwise identified products. It is stated that it will require more time for completion and will be submitted as soon as practicable as Volume II of the report."

\* \* \*

#### Tax Opinions

The General Counsel of the Bureau of Internal Revenue recently rendered an opinion, holding that for taxation purposes, a husband and wife may legally enter into a partnership in the State of New York.

\* \* \*

A case is pending in the Court of Appeals of the District of Columbia involving the question of domicile. The petitioner was domiciled in the State of Texas, and acquired extensive business interests in New York City. He lived in New York City part of the time and was a member of the New York Cotton Exchange and the New York Stock Exchange. He always made his tax returns for himself and wife from the State of Texas, but in the year 1918 when he made a joint return with his wife on the "community property" basis, as allowed under the laws of that State, his return was rejected by the Commissioner of Internal Revenue.

The principal ground of objection was that he had lost his domicile in the State of Texas by reason of his continued absence from Texas and his business interests in the City and State of New York. The petitioner claims that he always maintained his permanent home in Texas; that he never had any intention of changing his domicile, and that, as a matter of fact, he was and still is domiciled in the State of Texas.

Ordinarily, a man's domicile, once established, is presumed to continue at the same place. When he removes from the place of original domicile to another jurisdiction where he intends to remain indefinitely, or with intention not to return to his former domicile, he may thereby lose his original domicile. He may wander from home to far distant places for ever so long, and still retain his original domicile, provided he had never intended to establish himself permanently anywhere other than in his original place of domicile.

The case is interesting and will be reported when it is finally decided.

\* \* \*

#### Status of Certain Legislation

The so-called "fence bill", introduced in the House of Representatives by Representative La Guardia, of New York, did not become a law at the last session of Congress. Several hearings were held on the bill, but it languished. It is understood that it will probably be reintroduced in the next Congress. The bill prohibits the interstate transportation of stolen goods, and is of vital interest to the credit protection departments of every commercial organization in the United States.

Congress, in the closing days of the session, passed bills creating new judgeships as follows: One in South Carolina, one in South Dakota, three additional judges for the southern district of New York, one for

the ninth judicial circuit. A bill was also passed dividing the eighth judicial circuit and creating a new tenth circuit.

\* \* \*

#### Bulletin for Retailers

The Department of Commerce, in its publication, "Domestic Commerce", announces the third edition of "Practical Aids to the Independent Merchant." This bulletin, "issued originally in August, 1928, has been in such demand that the third edition of 100,000 has just been issued, requests for about a third of which are already in hand. The stated purpose of this 29-page pamphlet is to outline briefly some of the ways in which the Department of Commerce can be useful, particularly to those merchants who do not have facilities to carry on special investigations or to collect information on their own account. It sets forth the aims and activities of the Department in relation to domestic industry and trade. The Domestic Commerce Division's investigations of distribution and marketing problems are described, as are its studies of the retail credit situation throughout the United States and others bearing on the retailer's problems."

"The position of the independent dealer in the merchandising structure is pointed out to depend largely upon the efficiency with which he performs his functions and renders a real service to the community. The relative advantages of large and small concerns are discussed. The lack of information as to handling costs, itemized by commodities and customers, and uneconomic credit policies, are indicated as unsound business practices accounting for much dissipation of profits."

"The bibliography of the Department's publications on domestic commerce, included in the pamphlet, has been brought up to date for the latest edition. Numerous publications of the Division are summarized, including "Retail Store Problems," with its treatment of such problems as department store leasing, cooperative retail advertising, and vehicular traffic congestion."

"The activities of the commodity and technical divisions of the Bureau of Foreign and Domestic Commerce and the efforts of the Commercial Standards Group of the Bureau of Standards in behalf of simplified practices are reviewed. The survey of current business and the statistical compilations of the Bureau of the Census are referred to as business aids, the importance of the census of distribution being particularly stressed."

The same publication, "Domestic Commerce", also contains in the issue of February 25, 1929, the following: "Report VI of The Hammermill Survey of Business Practice, 'Quicker Collections with Less Grief,' mentions three policies which characterize successful modern credit departments:

1. Sound credit appraisal; gathering and reporting up-to-date information for easy reference, analyzing it for significant facts only.
2. Coordination of sales and credit department work so that they cooperate effectively to reduce credit losses without cutting down sales.
3. Prompt, regular, and unwavering follow-up of each debtor.

The extent to which the sales and credit viewpoints have been unified is said to be indicated by the increasing tendency to pay salesmen, on the basis, not of sales, but of collections. One result claimed is that the trained salesman has gotten away from the once popular idea that it is a part of a good salesman's job to sell credit to his credit department."



## Nailing Fake References

THE direct reference continues to be a favorite means of securing credit when credit is not due. Witness one of the schemes which have come to light through the Interchange Bureaus of the National Association of Credit Men:

A merchant rented a store in one city, then went to two other cities and rented desk space in offices, giving different names in each case. Orders placed with salesmen were supported by a financial statement and the names of two references. The references given were the names under which the merchant had rented offices at other points.

When bills came due, the "merchant" had disappeared. Mail addressed to the references was returned by the Post Office stamped "Moved, left no address."

Several creditors lost on that scheme. Nine orders totaling in excess of \$3500 were declined on the basis of information received from the Credit Interchange Bureaus of the National Association of Credit Men, where the "merchant's" record was on file, as shown on the Interchange report reproduced herewith.

Only the name and address of the merchant are omitted.

R. A. C.



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Over the shortest route  
from Chicago via Milwaukee  
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—the water level route



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Other fast, comfortable trains over this favored route of the travel-wise include the **Day Express**, the **Columbian**, the **Twin Cities Special** and the new, roller-bearing **Olympian**.

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Central Bureau: 214 N. Sixth Street, ST. LOUIS, MO.

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REPORT ON:  
REPORT NO. 1  
NAME AND ADDRESS  
MARCH 18, 1928

BUSINESS OR SUB. NO.	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST CREDIT	AMOUNT OWING	AMOUNT PAID DUE	UNFILLED OR FIRST ORDERS	TERMS OF SALE	MANNER OF PAYMENT			COMMENTS
								ACCOUNTS	PAYD DAYS	DOWN	
Atlanta #308 Text						247					
Chicago #218-110 Cuf						640					
Milwaukee #809-24 Trk						381					
Trk						270					
Chattanooga #312 O'alla	1 bill	2-28	6				COB				
New York City #310-122 O.M. Clo. Cuf. Wiso. R.F.						300 214 400 720				Order declined. Unsatisfactory report	
Fort Wayne #228 Wiso.						520					
COMPLETED BY #22											

This report, while a warning in itself, was accompanied by a special warning which due to its nature, was not issued in writing.

### The Man in Management (Continued from page 41)

has inculcated in our people the habit of budgeting, the habit of organizing and interpreting personal finances.

"I believe we should go beyond the mere commercial mechanics and purposes of the system and seek the deeper principles that are exerting a worthwhile influence on the lives of our people such as the inculcation of the habit of budgeting and organiz-

ing personal finances," Mr. Chrysler affirmed.

The same procedure should be followed in interpreting the success of the Chrysler organization. We should delve deeper than the mere mechanics and purposes of this particular company and consider the basic management and organization principles that have elevated the Chrysler Corporation to the peaks of industrial success.

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It makes no difference in what Bureau you file your claims—they are automatically forwarded to the approved Adjustment Bureau nearest the debtor, insuring concentration of claims in capable hands and resulting in the most effective service of its kind, nation-wide in scope and non-profit making. Beware of imitators. See list of bureaus on opposite page.

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# APPROVED ADJUSTMENT BUREAUS

as of March 1, 1929

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments

C—Collections

R—Receiverships

B—Bankruptcy Claims Representation

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Consider our Adjustment Bureaus as a part of your Credit Department.

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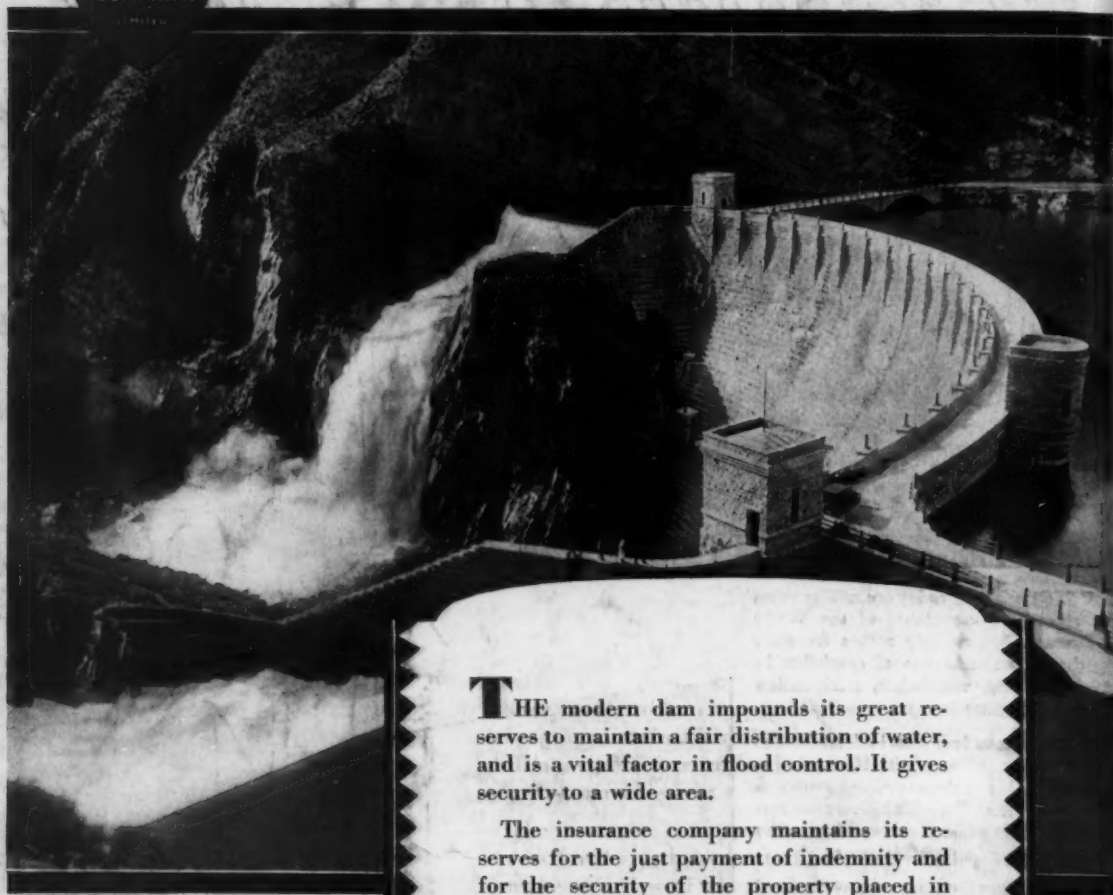
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